



# **Special Inspector General for Iraq Reconstruction**

**Quarterly Report** to the  
**United States Congress**

**[October 30, 2010]**

(Public Law 108-106, as amended, and Public Law 95-452)

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present this 27th Quarterly Report to the Congress and the Secretaries of State and Defense. This quarter, SIGIR published five new audits that address a diverse array of topics, including the Department of Defense (DoD) police training program, DoD's efforts to train and equip the Iraqi Special Operations Force (ISOF), and Department of State (DoS) management of a \$50 million grant to the National Democratic Institute (NDI) to support democracy-building activities in Iraq. In addition, SIGIR issued its first evaluation report this quarter, assessing the effects of two U.S.-funded water treatment plants costing a combined \$462 million. SIGIR's investigative work also produced significant results, obtaining 7 indictments and 7 convictions since the issuance of our July Report. I am pleased to report that, on October 19, SIGIR's Investigations Directorate and its former Inspections Directorate both received an Award for Excellence from the Council of the Inspectors General on Integrity and Efficiency (CIGIE). This marks the second year in a row that CIGIE has honored SIGIR for its investigative work.

More than seven months have passed since Iraq's March parliamentary elections, but the country remains without a government. Neither incumbent Prime Minister Nouri al-Maliki—now supported, at least provisionally, by Shia cleric Muqtada al-Sadr—nor former Prime Minister Ayad Allawi—backed by many of Iraq's Sunnis—has been able to assemble the coalition needed to form a government. In an effort to break this impasse, the U.S. Embassy in Baghdad, now led by U.S. Ambassador James Jeffrey, stepped up its efforts to facilitate a compromise among the leading contenders this quarter. To date, however, no durable agreement has emerged. Against this backdrop of uncertainty, the United States is in the midst of transforming the nature of its engagement with Iraq, with DoS stepping to the fore as the preeminent face of the U.S. presence.

In the coming months, DoS will be:

- winding down the operations of the 15 remaining Provincial Reconstruction Teams (PRTs) and one Regional Reconstruction Team
- moving forward with plans to establish sizeable consulates in Erbil and Basrah and temporary Embassy Branch Offices in Mosul and Kirkuk
- taking over responsibility for training the Iraqi police from DoD
- opening an Office of Security Cooperation to manage military assistance to the Iraqi Security Forces

Executing these new missions will require more U.S. civilian personnel under Chief of Mission authority. Current projections call for a 79% staffing increase (to more than 13,500) by January 2012.

This report inaugurates a new feature, wherein SIGIR will examine in depth one significant city or province each quarter, looking at the economic, security, political, and reconstruction situation there. This quarter, SIGIR features Mosul, the capital of Ninewa province. Our "Focus on Mosul" is based on interviews conducted there in late September with more than a dozen U.S. and Government of Iraq (GOI) officials, including leaders of PRT Ninewa, the deputy provincial governor, several leaders of local state-owned enterprises, and representatives from the Ninewa Investment Commission.

In November, I will be traveling to Iraq for the 28th time, meeting with several of the key U.S. military and civilian officials who will be managing these transitions. I will also be visiting Iraq's new anticorruption academy, which is scheduled to open later this year. This facility—the first of its kind in Iraq—will partner with



the United Nations to train members of Iraq's main anticorruption agencies, including the Commission of Integrity and the Board of Supreme Audit. More than five years in the making, this academy represents a modest step forward in what promises to be a multi-generational struggle against public corruption.

Although the U.S. military mission in Iraq is drawing to a close, civilian development and diplomacy efforts will continue, with the focus turning away from "brick-and-mortar" reconstruction projects toward building the GOI's capacity for self-government. As this transition continues into 2011, SIGIR will continue with its critical oversight mission, documenting its findings to ensure that the lessons learned in Iraq will not be forgotten.

Respectfully submitted this 30th day of October 2010,

A handwritten signature in black ink, appearing to read "Stuart W. Bowen, Jr.", followed by a period.

Stuart W. Bowen, Jr.  
Special Inspector General for Iraq Reconstruction

# SIGIR SUMMARY OF PERFORMANCE

## SIGIR SUMMARY OF PERFORMANCE AS OF OCTOBER 30, 2010

### AUDITS

Reports Issued	177
Recommendations Issued	436
Dollars Saved and Recovered (\$ millions)	\$151.41
Dollars Put to Better Use (\$ millions)	\$678.32
Challenged Payments (\$ millions)	\$38.65

### EVALUATIONS

Reports Issued	1
Recommendations Issued	4
Studies Ongoing/Planned	3

### INSPECTIONS

Project Assessments Issued	170
Limited On-site Assessments Issued	96
Aerial Assessments	871

### INVESTIGATIONS

Investigations Initiated	522
Investigations Closed or Referred	412
Open Investigations	110
Arrests	31
Indictments	50
Convictions	41
Monetary Results (\$ millions)	\$71.27

### HOTLINE CONTACTS, AS OF SEPTEMBER 30, 2010

E-mail	395
Fax	18
Mail	28
Referrals	26
SIGIR Website	165
Telephone	78
Walk-in	112
<b>Total Hotline Contacts</b>	<b>822</b>

### OTHER PRODUCTS

Congressional Testimony	30
Lessons Learned Reports Issued	5



## SECTION 1

### SIGIR Observations

Management of U.S. Reconstruction Transition	2
U.S. Reconstruction Funding	3
U.S. Reconstruction Management	4
Government Formation	5
Governance	6
Security	7
Economy	11
Energy	13
Anticorruption and the Rule of Law	15
Significant Legal Developments	17
SIGIR Oversight	17
Human Toll	20

## SECTION 2

### Funding for Iraq Reconstruction

Funding Overview	23
U.S. Funding	24
Iraqi Funding	25
International Support	44
	46

## SECTION 3

### Reconstruction Management in Transition

The Changing U.S. Presence	47
Contracting	48
	55

## SECTION 4

### Developments in Iraq

Governance	65
Security	66
Rule of Law	71
Economy	80
Public Services	87
	101

## SECTION 5

### SIGIR Oversight

SIGIR Audits	113
SIGIR Investigations	114
SIGIR Evaluations	124
SIGIR Hotline	139
SIGIR Website	142
Legislative Update	143
	144

## SECTION 6

### Other Agency Oversight

Introduction	145
Other Agency Audits	146
Other Agency Investigations	147
	150

### Endnotes

151

### Acronyms and Definitions

167

### Special Features

Essential Services	22
Focus on Mosul	59
Counting Casualties	79

\*The complete version of this SIGIR Quarterly Report is available on the SIGIR website: [www.SIGIR.mil](http://www.SIGIR.mil). It is the official version of the Report, containing all appendices and corrections.

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## APPENDICES

The appendices for this Quarterly Report are not included in the print version of the publication. They are published on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

**Appendix A** cross-references the pages of this Report to SIGIR's statutory reporting requirements under Section 3001 of P.L. 108-106.

**Appendix B** cross-references budget terms associated with the Iraq Relief and Reconstruction Fund (IRRF), Iraq Security Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and international support for Iraq reconstruction.

**Appendix C** reports on the international contributions to the Iraq reconstruction effort.

**Appendix D** contains a list of SIGIR's completed inspections of Iraq reconstruction activities.

**Appendix E** contains a comprehensive list of suspensions and debarments related to Iraq reconstruction contracts or Army support contracts in Iraq and Kuwait.

**Appendix F** provides summaries of completed and ongoing audits and reviews of Iraq reconstruction programs and activities, released by other U.S. government agencies.

**Appendix G** contains a list of completed audits, reports, and testimonies on Iraq reconstruction activities released by SIGIR and other U.S. government audit agencies.

# SIGIR OBSERVATIONS

MANAGEMENT OF U.S. RECONSTRUCTION TRANSITION	2
U.S. RECONSTRUCTION FUNDING	3
U.S. RECONSTRUCTION MANAGEMENT	4
GOVERNMENT FORMATION	5
GOVERNANCE	6
SECURITY	7
ECONOMY	11
ENERGY	13
ANTICORRUPTION AND THE RULE OF LAW	15
SIGNIFICANT LEGAL DEVELOPMENTS	17
SIGIR OVERSIGHT	17
HUMAN TOLL	20
SPECIAL FEATURE: <i>ESSENTIAL SERVICES</i>	22

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## SECTION

# 1

## MANAGEMENT OF U.S. RECONSTRUCTION TRANSITION

The United States formally concluded its combat mission in Iraq this quarter, with Operation Iraqi Freedom becoming Operation New Dawn. As the Department of Defense (DoD) continues to reduce its presence, the Department of State (DoS) footprint is growing, as it assumes new responsibilities and missions. Emblematic of these shifts, a new Commanding General of U.S. Forces-Iraq (USF-I) (General Lloyd Austin) and a new U.S. Ambassador (James Jeffrey) have assumed control of the U.S. mission in Iraq. They now oversee the continuous process of mission transition between DoD and DoS.

U.S.-Iraqi relations over the next year will be defined by four major issues, as both nations prepare for the scheduled departure of virtually all U.S. military forces by December 2011:

- **Security.** As of mid-October, approximately 49,000 U.S. troops remain in Iraq. Their core responsibilities include training, advising, and assisting the Iraqi Security Forces (ISF)—especially in the areas of logistics, reconnaissance, and intelligence. They are also charged with supporting Iraqi Army (IA) and police units on combat missions (if asked) and providing security to DoS and other U.S. government personnel. SIGIR issued two audit reports this quarter on DoD's efforts to train elements of the ISF. In the first, SIGIR determined that, notwithstanding the \$7.3 billion spent on police training, the actual capabilities of the Iraqi police remain unknown because they have not been discretely evaluated in a measurable way. Ensuring police-force capabilities and professionalism is especially crucial because it is rapidly taking responsibility for all internal security. DoS is preparing to take over the police training program in 2011,



U.S. troops loading equipment in preparation for their relocation to Kuwait. (USF-I photo)

with the Department of Justice also playing a crucial role—a transition that SIGIR will monitor and report on in 2011. SIGIR also published an audit this quarter on DoD's training of the Iraqi Special Operations Force (ISOF), concluding that, although the program was conducted in accordance with established military training protocols, the transfer of the ISOF from the Ministry of Defense (MOD) to the Prime Minister's Office raises serious questions about the control of this force by Iraqi civil authorities.

- **Governance.** On October 1, 2010, Iraq set a record for the longest period a country has gone between holding parliamentary elections and forming a government (surpassing the previous mark of 207 days set by The Netherlands 33 years ago).<sup>1</sup> Seeking to facilitate an end to this enduring impasse, U.S. diplomats ramped up efforts this quarter to convince Iraq's major political blocs to reach a final power-sharing agreement. The most significant development was the decision by self-exiled Shia cleric Muqtada al-Sadr, whose bloc won 39 seats in March, to drop his opposition to Prime Minister Nouri al-Maliki, bringing the sitting Prime Minister closer to obtaining the 163 seats needed to form a new government. However, the first-place finisher in the March election, former Prime Minister Ayad Allawi, whose bloc won two more seats than al-Maliki's (91 to 89), also continued his efforts to attract enough supporters to form a governing majority.

- **Availability of non-U.S. Resources for Reconstruction.** This quarter, SIGIR officials in Iraq observed an increasing recognition on the part of the Government of Iraq (GOI) of its need and obligation to finance Iraqi reconstruction projects exclusively with Iraqi funds. For example, in October, Iraq's Council of Ministers (CoM) approved a \$733 million project to expand the oil-export capacity of the facilities located around the southern port of Umm Qasr.<sup>2</sup> International oil companies are also continuing to expand their presence in Iraq's lucrative hydrocarbon sector. For these positive trends to continue, however, the new Iraqi government must provide security and legal certainty regarding investment laws.
- **Rule of Law.** Public corruption pervades all levels of the government. Although Iraq's anticorruption institutions are developing more auditing and investigative capacities, they remain understaffed and undertrained. Judicial security continues to be a problem, with GOI officials reporting an 80% shortfall in the number of judicial security guards deemed necessary. In

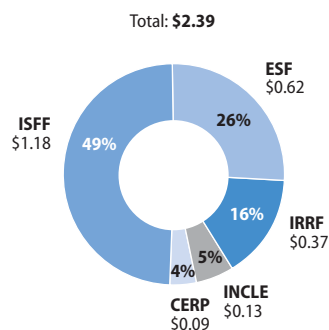
addition, Iraq's chief anticorruption official—the head of the Commission of Integrity (COI)—has yet to be confirmed in office, almost two years after taking the position.

## U.S. RECONSTRUCTION FUNDING

### Major Funds Update

Since 2003, the Congress has appropriated or otherwise made available \$56.81 billion for reconstruction efforts in Iraq, primarily through five major funds: the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Economic Support Fund (ESF), the Commander's Emergency Response Program (CERP), and the International Narcotics Control and Law Enforcement (INCLE) account. Figure 1.1 summarizes the current status of unexpended obligations of the five major funds. For more on U.S. reconstruction funding, see Section 2 of this Report.<sup>3</sup>

FIGURE 1.1  
**UNEXPENDED OBLIGATIONS: MAJOR U.S. FUNDS**  
\$ Billions



**Note:** Data not audited. Numbers affected by rounding.

**Sources:** DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 9/30/2010; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; OSD, responses to SIGIR data calls, 4/10/2009, 10/14/2010, and 10/15/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USTDA, response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009.

### Incomplete CERP and ISFF Data

Pursuant to this quarterly report's data call, the DoD Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), was unable to provide the top-line obligation and expenditure data for the FY 2010 CERP appropriation. Consequently, SIGIR is unable to provide a precise accounting of the current status of CERP funds. Furthermore, OUSD(C) reports quarterly obligations and expenditures by project or project category only for the current fiscal year appropriation. Thus, SIGIR cannot determine whether CERP projects started in previous years were completed and what their final costs were. SIGIR had previously used the Iraq Reconstruction Management System (IRMS) as an alternative, albeit incomplete, data source, but it was shut down on September 1. The Funding section of this Report describes this problem in greater detail. SIGIR continues to work with OUSD(C) to



resolve these issues and achieve greater depth and accuracy in CERP reporting.

For the first time, USF-I declined to review a draft of this Quarterly Report, which it has done every previous quarter to help ensure the accuracy of the information presented. USF-I also was unable to provide the final status on the use of ISFF monies. SIGIR thus used preliminary data to calculate the status of U.S. funds. SIGIR will adjust its accounting of the ISFF in its January 2011 Quarterly Report should there be a discrepancy between the preliminary and final data.

## U.S. RECONSTRUCTION MANAGEMENT

### U.S. Leadership

In mid-August, Ambassador James Jeffrey took up his new post as Chief of Mission (COM) in Iraq; and, on September 1, General Lloyd Austin replaced General Raymond Odierno as the commander of USF-I.

### DoD to DoS Transitions

DoS will be shouldering several missions that had been supported by DoD, including provincial outreach, rule-of-law and police training, military training and assistance, and certain economic development programs. By October 2011, DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL) is expected to assume full responsibility for managing the police training program, with approximately 190 police advisors operating at three main outposts in Baghdad, Basrah, and Erbil, as well as several satellite locations.<sup>4</sup> INL's curriculum will emphasize supervisory skills and techniques for gathering forensic evidence, as opposed to the more tactical training that has been provided by USF-I.

These changes in DoS's mission will be accompanied by a dramatic increase in the number



USF-I change of command ceremony. (USF-I photo)

of U.S. personnel under COM authority.

As of July 1, 2010, there were 6,787 personnel under COM authority in Baghdad and 794 in the provinces. By January 1, 2012, current plans call for 9,426 personnel under COM authority in Baghdad—a 39% increase—and 4,142 in the provinces—a 422% increase.<sup>5</sup>

### An Evolving Provincial Presence: From PRTs to Consulates and Embassy Branch Offices

The 15 Provincial Reconstruction Teams (PRTs) and 1 Regional Reconstruction Team now deployed in Iraq will wind up operations between now and September 2011. Two new permanent consulates (Erbil and Basrah) and two new temporary Embassy Branch Offices (EBOs) (Kirkuk and Mosul) will become the focal points for DoS's presence outside of Baghdad. Earlier proposals had suggested establishing additional temporary diplomatic posts (in Anbar province and key Shia cities in the south), but current plans do not provide outposts in either Najaf or Kerbala, or in the predominantly Sunni communities of Ramadi and Falluja. Current DoS projections have each consulate staffed by more than 500 U.S. nationals (government employees and contractors) and more than 700 local or third-country-national employees. Security and aviation contractors will make up more than half of the staffs.

## Supporting the Provincial Presence

DoD has agreed to allow DoS to use the Logistics Civil Augmentation Program (LOGCAP) and Defense Logistics Agency contracting mechanisms to meet the life-support, food, fuel, and transportation needs of the consulates and EBOs. DoD will also transfer to DoS 60 Mine Resistant Ambush Protected (MRAP) vehicles and other excess equipment for use in the provinces. The Embassy remains in discussion with the GOI about acquiring the property necessary to locate secure facilities outside of Baghdad, and the ultimate DoS footprint will depend on available funding.<sup>6</sup>

## GOVERNMENT FORMATION

Almost eight months have passed since Iraq's March 7 parliamentary elections. As of October 20, the major political coalitions have been unable to agree on the composition of a new government. During the desultory government-formation negotiations, GOI ministries have continued to function under the stewardship of caretaker ministers and career civil servants. Figure 1.2 displays the close-run nature of March's contest, which left the two leading contenders only two seats apart in the new Council of Representatives (CoR) and each more than 70 seats away from the 163 needed to form a new government.

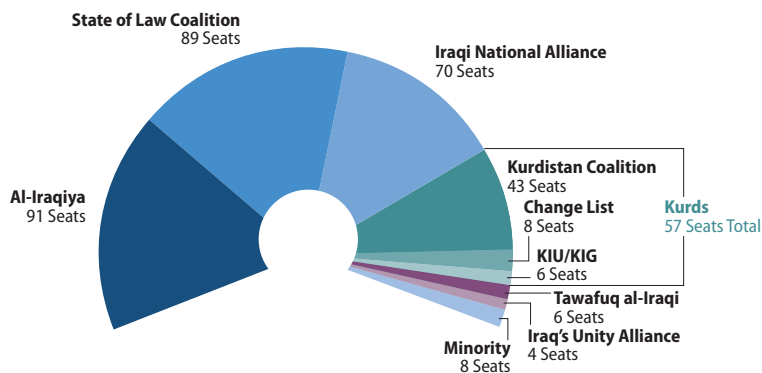
Figure 1.3 contrasts post-election developments in 2010 with key events in the 2005–2006 government formation process.

### Continuing Negotiations

This quarter, the major electoral blocs continued their attempts to build a coalition capable of laying claim to 163 seats. On October 1, 2010, Muqtada al-Sadr, whose party won 39 seats, endorsed Prime Minister Nouri al-Maliki for another term in office, abruptly reversing his long-standing opposition to a second al-Maliki administration. However, even with support from the Sadrists, Prime Minister al-Maliki's State of Law Coalition (SoL) still needs additional allies to form a new government.<sup>7</sup>

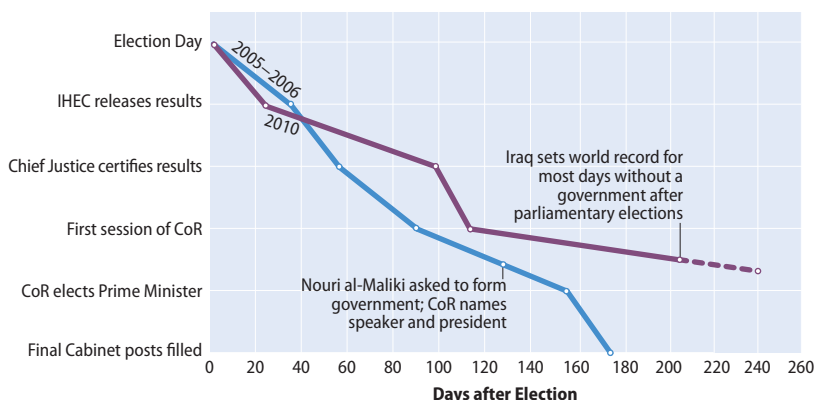
Former Prime Minister Ayad Allawi's al-Iraqiya bloc conducted discussions with all of the other major blocs this quarter but was unable to garner firm commitments of support. According to GOI officials, former Prime Minister Allawi backed off his earlier insistence that he emerge as prime minister in the new government and signaled his openness to a compromise solution. But in the wake of Muqtada al-Sadr's endorsement of al-Maliki, al-Iraqiya was reported to be in negotiations with some of al-Sadr's coalition partners in the Iraqi

FIGURE 1.2  
FINAL, CERTIFIED RESULTS OF MARCH 2010 ELECTIONS



Source: GOI, IHEC, "Iraqi CoR Election Results," 3/28/2010, [ihec-iq.com/en/results.html](http://ihec-iq.com/en/results.html), accessed 7/21/2010.

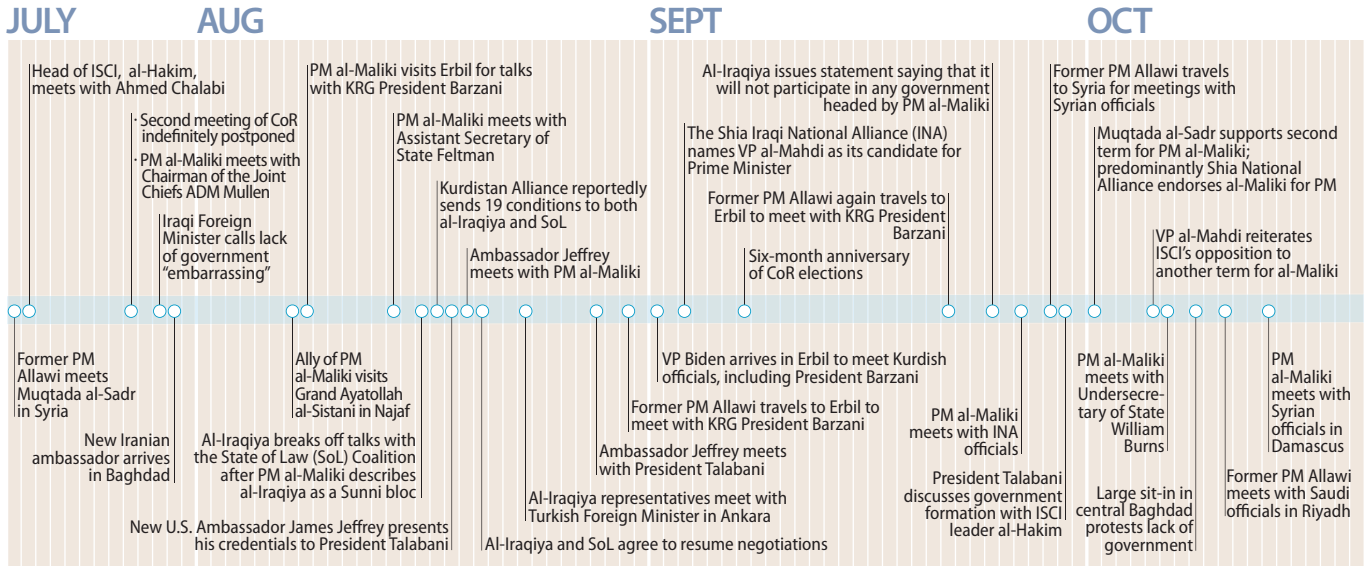
FIGURE 1.3  
GOVERNMENT FORMATION: 2005–2006 VS. 2010



Source: SIGIR analysis of GOI and U.S. government documents and open source information in English and Arabic.

FIGURE 1.4

## SIGNIFICANT DEVELOPMENTS IN NEGOTIATIONS CONCERNING GOVERNMENT FORMATION, 7/19/2010–10/19/2010



Source: SIGIR analysis of GOI and U.S. government documents and open source information in Arabic and English.

National Alliance, including the Islamic Supreme Council of Iraq (ISCI) and Fadhila.

As of early October, the Kurdistan Alliance has refrained from expressing overt support for either SoL or al-Iraqiya. But without support from the 57 CoR members belonging to the Kurdistan Alliance, it is difficult to see how either of the leading contenders could form a government unless SoL and al-Iraqiya put aside long-standing animosities and join together to form a broad-based coalition government. If the stalemate persists much longer, several GOI

officials suggested to SIGIR that Iraq's judiciary may play a greater role in brokering some kind of governing arrangement. Figure 1.4 shows some of this quarter's significant political developments.

## GOVERNANCE

### New Government's Agenda

Once formed, Iraq's new government will quickly have to confront myriad challenges left unresolved by the previous administration.<sup>8</sup>

- **National Reconciliation.** The unresolved status of Kirkuk and related Arab-Kurdish issues will be crucial priorities for the new government. Arab-Kurdish issues are, however, but one subset of a broader array of matters that must be addressed to achieve some measure of enduring national reconciliation, along with the integration of the mostly Sunni Sons of Iraq (SOI) into the ISF and the clarification of government powers between Baghdad and the provinces.



Prime Minister al-Maliki confers with President Talabani. (GOI photo)

- **Security.** The ongoing tasks of providing for Iraq's domestic security and rebuilding the ISF's ability to guard the nation's borders remain the most crucial challenges. The new government must weigh any proposed security expenditures against the urgent need to improve essential public services.<sup>9</sup>
- **Economy.** Iraq's future prosperity hinges on the hydrocarbon sector. Passage of the long-stalled package of hydrocarbon laws will be a key priority for the CoR, as will drafting of additional legislation aimed at stimulating the growth of those parts of Iraq's private sector not directly dependent on hydrocarbons. The previous CoR concluded its business without passing more than 70 proposed economic-reform laws.
- **Rule of Law.** Endemic corruption undermines domestic and international confidence in the GOI. The CoR may attempt to address this by passing new anticorruption laws, undertaking regulatory reforms, improving judicial security, and reforming the penal system.
- **Vacancies.** The new government will have the opportunity to appoint its supporters to positions in every ministry and key post, including COI Commissioner. If the wholesale replacement of existing officials occurs, many GOI personnel may be turned out of office after years of receiving expensive training from U.S. advisors.

### GOI Again Delays National Census

In early October, the Ministry of Planning and Development Cooperation (MoPDC) postponed Iraq's national census from October 24, 2010, to December 5, 2010.<sup>10</sup> The census has been repeatedly postponed since 2007 because of sectarian tensions and insurgent violence. According to GOI officials, fears of exacerbating Arab-Kurdish tensions in Ninewa and Tameem provinces were the main factors behind this latest delay. Whenever it occurs, the census will be the first to measure Iraq's entire population since 1987. Its results will affect decisions about extending the scope of the Kurdistan Regional Government (KRG) into the disputed lands beyond its southern borders.

### Regions Law Revisited?

In early September, officials on Basrah's Provincial Council announced that they may re-activate efforts to transform Basrah into a region after the new government is seated, potentially further complicating relations between Baghdad and the provinces. The law governing the formation of regions permits one or more provinces to form a region, which would be governed by a legislative council possessing significant authorities. In early 2009, efforts by prominent Shia politicians in the oil-rich province of Basrah to form a region failed when they could not gather enough signatures to hold a referendum on the issue.<sup>11</sup>

## SECURITY

According to the GOI's Ministry of Health, September saw the fewest Iraqi fatalities from violence since January 2010.<sup>12</sup> Attacks during Ramadan (August 11–September 11) were down 18% from last year's levels. But ISF personnel and GOI officials continued to be targeted, as anti-government forces apparently focused on attacking the institutions of the Iraqi state.<sup>13</sup>

### USF-I Priorities

In August, DoD and DoS officials described the four main areas of focus for USF-I between now and December 2011:<sup>14</sup>

- providing security for DoS and other U.S. government personnel
- training, equipping, and supporting the ISF
- continuing to conduct partnered counterterrorism missions with the ISF
- managing the drawdown of the remaining U.S. forces in Iraq

DoD officials also emphasized that the U.S. military and DoS will spend significant time and effort monitoring the situation in Iraq's north and attempting to reduce tensions there.





USAF F-16, similar to those ordered by Iraq for its air force. (USF-I photo)

## ISF Capabilities

This quarter, the ISF took delivery of 11 U.S.-built M1 Abrams tanks, with 129 more scheduled to arrive by December 2011.<sup>15</sup> In September, the U.S. Administration approved the sale of 18 F-16 fighters to Iraq, and the Iraqi Navy accepted the first of 15 patrol boats ordered from the United States.<sup>16</sup> The challenge now will be to field sufficient numbers of trained personnel to operate the tanks, planes, and vessels; to develop a logistics system to support them; and to craft a doctrine governing their employment.

## U.S. Personnel Repeatedly Targeted

This quarter, mortar shells and rockets landed in Baghdad's International Zone (IZ)—home to the U.S. Embassy and several Iraqi government buildings—with increasing regularity. In late July, a rocket killed 3 security contractors working in the IZ and wounded 15 others. In September, more than 20 indirect-fire attacks struck the IZ. At least one PRT convoy also came under attack this quarter. On August 23, a convoy carrying PRT personnel near Mosul was hit by a rocket-propelled grenade, causing several minor injuries.<sup>17</sup>

## UN Convoy Bombed

On October 19, following a meeting in Najaf with Grand Ayatollah Ali al-Sistani to discuss ongoing



Firefighters work at the site of a bomb attack in Baghdad on July 26, 2010. (Reuters/Saad Shalash)

efforts to form a new government, the convoy of UN Special Representative Ad Melkert was hit by an improvised explosive device. Melkert was unharmed, but an Iraqi police officer was reportedly killed.<sup>18</sup>

## Attacks Continue Against Iraqi Civilians, Security Forces, and Government Officials

In the weeks preceding the end of the U.S. combat mission, several major terrorist attacks occurred across Iraq:<sup>19</sup>

- **July 26, Kerbala**—Two car bombs exploded near a checkpoint, killing more than 20.
- **August 17, Baghdad**—A suicide attack on an MOD recruiting station killed more than 50 and wounded more than 100. Many of the victims had been waiting in line to apply to join the IA.
- **August 25, multiple cities**—In a coordinated attack bearing the hallmarks of al-Qaeda in Iraq, terrorists bombed 13 cities, killing more than 50 people. The deadliest attack occurred in the usually peaceful southern city of Kut, where a car bomb detonated near government buildings, killing at least 15.

ISF personnel continued to bear the brunt of much of the violence, with smaller attacks targeting IA and Iraqi Police units on a regular basis.

## One Politician's Perspective

On October 4, 2010, SIGIR met with Safia al-Souhail, a member of Iraq's CoR. She was first elected to the CoR in 2005 on former Prime Minister Ayad Allawi's list, but won re-election in 2010 as a supporter of Prime Minister Nouri al-Maliki's SoL.

A self-described independent liberal, al-Souhail was born in Beirut and has lived in Amman, Paris, and Washington, D.C. In December 2002, she met with former British Prime Minister Tony Blair to discuss the Ba'athist regime's human rights abuses. In her meeting with SIGIR, al-Souhail offered her perspective on a wide variety of topics, including her constituents' views on the U.S. reconstruction effort, the development of Iraq's democratic institutions, the rights of women, the role of culture in national reconciliation, and corruption:

- **U.S. reconstruction programs.** In her opinion, many citizens do not understand the scope of the U.S. reconstruction effort because too few prominent projects were built that were visible to all as evidence of the U.S. commitment to Iraq. The small scale of many U.S.-funded construction projects and the difficult-to-observe nature of almost all capacity-development initiatives makes it hard for Iraqis to understand how exactly their quality of life has been changed for the better by the U.S. presence in their country. Whatever a project's actual effectiveness, if it is not seen to be effective by Iraqis, then the United States has not derived all that it could have from its investment. Al-Souhail echoed this

point, stating: "If you lived in a community and someone donated money to expand the water treatment plant in your neighborhood, it is unlikely the average household would know who donated the money."

- **Democracy.** She commented on the widespread disillusionment among Iraqi voters who have difficulty understanding how democracy has improved their lives. She asserted that a lack of good jobs and educational opportunities feeds this cynicism, resulting in a citizenry that does not trust the institutions of state. In her view, the optimism about the possibilities of democracy that greeted the toppling of Saddam has dissipated and "democrats in Iraq have become orphans."
- **Women's rights.** She observed that the introduction of a constitutional government in the wake of the 2003 invasion adversely affected some of the gains achieved by Iraqi women during the twentieth century. In particular, she contends that Article 41 of the Iraqi Constitution—which allows citizens to determine their personal status according to their religion, sect, or belief—potentially provides legal cover for those wishing to advance a fundamentalist version of Islamic family law that minimizes women's rights. While acknowledging that some progress has been made, it is her firm belief that "Iraqi women have a long way to go" before achieving true equality and empowerment.
- **Culture.** She advocates a broad-based cultural renewal as a means of reawakening a positive sense of inclusive nationalism among Iraq's



Representative Safia al-Souhail meets with SIGIR officials, October 2010.

various religious and ethnic groups. She lamented the sectarian impulses of many leading political figures, suggesting that a durable national reconciliation will only come to pass once Iraqis move beyond narrow group interests. To achieve this, she urged increased Iraqi and U.S. government support for authors, independent journalists, and educators.

- **Corruption.** Iraqis' lack of trust in the government has led to the widely held view that, to advance in society, one must inevitably either partake in corrupt activities or turn a blind eye to them. Upon her return to Iraq in 2003, she was struck by how years of dictatorship and oppression had led to an apparent inability on the part of many Iraqis to know right from wrong and act accordingly. The habits adopted to survive under Saddam were not consistent with those needed to build a civil society. Al-Souhail pointed to education as the most effective way to foster habits conducive to self-governance and the rule of law, implying that the problem of corruption can only be addressed by a multi-generational effort.

Examples include:<sup>20</sup>

- **Early August, Baghdad**—At least 8 traffic police were killed during a seven-day period.
- **August 25, Baghdad**—11 were killed and nearly 40 injured when a car bomb struck outside a police station.
- **September 5, Baghdad**—4 Iraqi soldiers were killed repelling a multi-pronged suicide attack on a military headquarters.
- **Mid-September, Mosul**—At least 9 Iraqi soldiers were killed by an IED while on leave.
- **Late September, near Falluja**—3 policemen were killed by a suicide bomber.

Former SOI personnel have been particularly hard-hit by violence in recent months. This

quarter, USF-I reported that at least 32 SOI were killed, with many more wounded. Of the 94,000 SOI transferred by the U.S. military to the GOI last year, about 50,000 are still without a job.<sup>21</sup> For more on the SOI, see Section 4.

## Targeting Government Workers

In the more than seven months since the parliamentary elections, it has been Iraq's mid-level civil servants who have borne the greatest responsibility for running the GOI. This could be construed as an unintended benefit of the stalemate in government formation—with high-level politicians wrapped up in discussions, managerial-level technocrats have gained significant experience and confidence ensuring that the day-to-day operations of the

TABLE 1.1

### SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST GOI CIVIL SERVANTS

TARGETS/VICTIMS	LOCATION (PROVINCE)	DATE	CIRCUMSTANCES	RESULT
Undersecretary at Ministry of Agriculture	Baghdad	7/19/2010	IED attack on convoy	Attack failed
Governor of Ninewa province	Ninewa	8/8/2010	Multiple bombs	Governor survived; others killed and injured
Criminal court judge	Missan	8/9/2010	Sticky bomb attached to car	Attack failed
Tellafar city councilman	Ninewa	8/10/2010	Sticky bomb attached to car	Attack failed
Multiple judges	Baghdad, unknown	8/17/2010	Multiple bombs	Several judges injured
Financial Supervision Authority official	Baghdad	8/17/2010	Ambushed in car by gunmen	Official killed
Court officials in Tikrit	Salah Al-Din	8/18/2010	Multiple bombs	2 security guards killed
Ministry of Housing & Construction official	Baghdad	8/18/2010	Ambushed in car by gunmen	Official killed
Independent High Electoral Commission official	Baghdad	8/19/2010	Ambushed in car by gunmen	Official killed
Ninewa Criminal Court judges	Ninewa	8/20/2010	Multiple IEDs	Judges survived; 4 ISF personnel injured
Investigative judge	Ninewa	8/27/2010	IED placed near residence	Attack failed
Director General at Ministry of Agriculture	Baghdad	9/6/2010	Sticky bomb attached to car	Director general injured
Intelligence officer	Baghdad	9/13/2010	Sticky bomb attached to car	Officer killed
Undersecretary at Ministry of Labor	Baghdad	9/15/2010	IED attack on convoy	Attack failed; bystanders injured
Commission of Integrity official	Baghdad	9/26/2010	Ambushed in car by gunmen	Official killed
Ministry of Agriculture official	Baghdad	10/3/2010	Sticky bomb attached to car	Official killed
Director of Criminal Evidence Department	Ninewa	10/5/2010	Ambushed by gunmen	Director killed
Provincial Council Legal Committee Chairman	Ninewa	10/7/2010	Convoy ambushed by gunmen	Attack failed
Ministry of Higher Education employees	Anbar	10/9/2010	Gunmen attacked employees' homes	At least three ministry employees killed
Baghdad provincial official	Baghdad	10/18/2010	Bomb detonated near convoy	Official and several guards killed

**Note:** This table provides examples of assassinations, attempted assassinations, and other small-scale acts of violence that appear to have been aimed at specific persons or groups this quarter. It does not purport to be all-inclusive, nor presume to imply the attackers' respective motives.

**Sources:** SIGIR analysis of U.S.- and GOI-issued unclassified documents and other publicly available sources in both English and Arabic.

Iraqi government continue. In conversations with SIGIR this quarter, U.S. officials pointed to the experience gained by these managers as one of the few benefits associated with the lengthy political impasse. Security issues, however, are continuing to have a negative impact on government officials, as this quarter several GOI officials were the targets of assassination attempts. Table 1.1 lists examples of such attempts and their outcomes.

## ECONOMY

On October 8, 2010, the IMF approved the release of \$741 million to Iraq as part of a larger \$3.7 billion loan package approved in February, stating

that Iraq is continuing to make “good progress” in stabilizing its economy and rebuilding its financial institutions.<sup>22</sup> The IMF noted that inflation remains low and the exchange rate remains stable.<sup>23</sup>

### National Development Plan

In July, Prime Minister al-Maliki unveiled Iraq’s \$186 billion *National Development Plan (2010–2014)* (NDP). The NDP outlines a five-year program for economic growth and social development, centering on 2,831 projects. The GOI expects to contribute 53.7% of the \$186 billion in funds, with the private sector financing the remaining 46.3%. This quarter, the GOI released additional details about how the NDP will allocate spending by province, which is summarized in Figure 1.5.<sup>24</sup>

### Projected GOI Budget for 2011

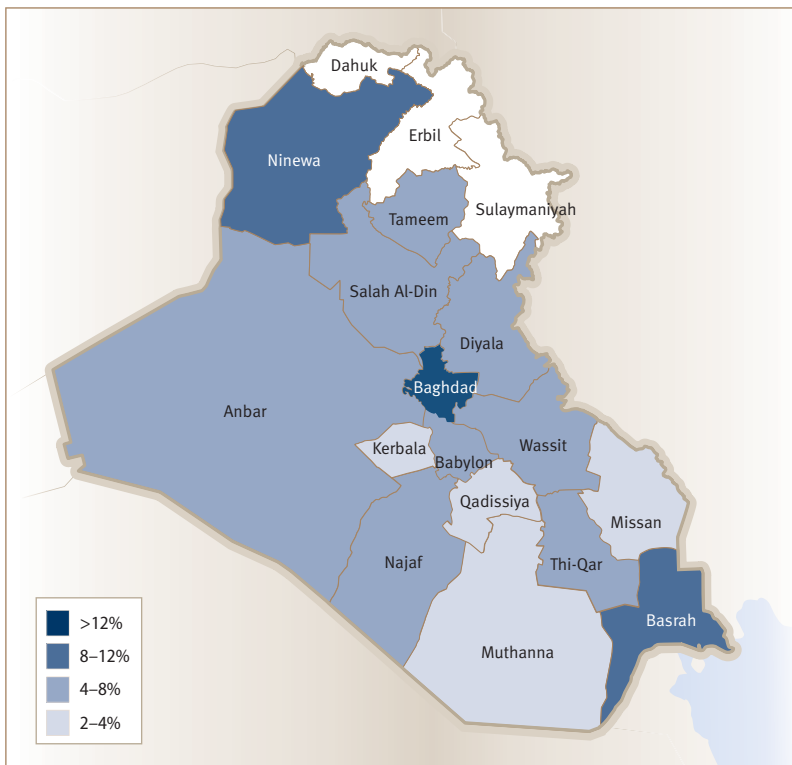
In late September, officials from the Ministry of Finance (MOF) announced that the MOF had completed its draft budget for 2011. The proposed \$86.4 billion budget is based on the assumption that global oil prices will average \$70 per barrel next year. The draft also assumes an increase in export volume from the current level of 1.85 million barrels per day (MBPD) to an average of 2.4 MBPD for 2011—an increase that may be beyond the capacity of Iraq’s existing hydrocarbon infrastructure, and thus unsupportable.<sup>25</sup> The new CoR and President must both approve the new budget before it becomes law—a process unlikely to occur in the near future. Figure 1.6 compares the 2011 budget draft and its assumed price of oil to previous years’ budgets and assumptions.

### Opacity of GOI Budget Figures

The GOI’s inadequate financial management systems continue to hinder efforts to obtain a clear picture of Iraq’s financial situation. This point was underscored this quarter by the release of a Government Accountability Office (GAO) report suggesting that Iraq has an estimated cumulative budget surplus in excess of \$11.8 billion. The GAO estimate was sharply disputed by DoD, DoS,

FIGURE 1.5

**PROJECTED DISTRIBUTION OF PROVINCIAL DEVELOPMENT FUNDS, 2010–2014**  
% of Annual Capital Budget



**Note:** This chart excludes the three provinces that make up the Kurdistan Region (Dahuk, Erbil, and Sulaymaniyah), which are slated to get 17% of the \$186 billion allocated by the NDP.

**Source:** GOI, MoPDC, “The National Development Plan (2010–2014) Summary,” 10/2010.



## Reconstruction, Security, and Economic Development in the Kurdistan Region

SIGIR officials traveled to the Kurdistan Region in late September to meet with U.S. reconstruction advisors and key KRG officials, including the prime minister. Topics discussed included:

- **U.S. reconstruction program.** Establishing “a culture of permanence” is the stated goal of the U.S. Regional Reconstruction Team (RRT) based in Erbil. Because of the Kurdistan Region’s relatively robust economy and functional governing institutions, the RRT reported that it is able to focus on second-order issues, such as promoting freedom of the press, encouraging citizen participation in government, and supporting cultural programs aimed at promoting the rights of women and minorities. The RRT is well-established in the community, making more than 40 trips outside its compound each week, and draws on the local economy for some of its basic life-support requirements, including food and cleaning services. Because it will take several years for DoS to construct and open the planned-for consulate in Erbil, the RRT is filling this gap and performing tasks traditionally executed by consular officers in other countries. These include providing visas, engaging with KRG officials on economic matters, and managing U.S.-funded development initiatives.
- **Security.** Two primary forces are responsible for security in the Kurdistan Region, the Asai’ish and the Peshmerga. The Asai’ish concentrate on internal security matters, such as policing and domestic intelligence, whereas the Peshmerga’s primary focus is external security. Kurdish officials estimated that there are about 190,000 Peshmerga personnel, and about 100,000 are currently on active duty. In

addition to patrolling the external and disputed internal borders between the Kurdistan Region and the rest of Iraq, Peshmerga troops have also been called on by the GOI to participate in security operations in the “lower 15” provinces in coordination

with the ISF. In conversations with SIGIR, the KRG’s Minister of Peshmerga Affairs stated that current plans called for raising two new Peshmerga divisions, each numbering about 15,000 troops. He noted that Peshmerga soldiers require more advanced training—especially in intelligence collection and analysis—but the KRG lacks a sufficient budget to fund such programs.

- **Economic development.** Arab and Turkish firms are the largest investors in the Kurdistan Region. Since August 2008, Arab states have provided about 74% of the \$3.6 billion in foreign investment in the region, led by companies based in Kuwait (\$1.5 billion), Lebanon, Egypt, and Jordan. Turkish enterprises are also very active in the region. Of the more than 1,200 foreign businesses operating in the three largest cities in the Kurdistan Region, about 730 of them are Turkish. However, the Turkish firms tend to be more engaged in trading and low-level commerce, as opposed to the larger projects financed by many of the Arab companies. According to KRG officials, the region’s Investment Commission has licensed \$30.5 billion worth of projects since mid-2006. Of these, about 10% are complete and more than 30% are underway. About 23% of these projects are solely financed by foreign investors, 5% by joint ventures between

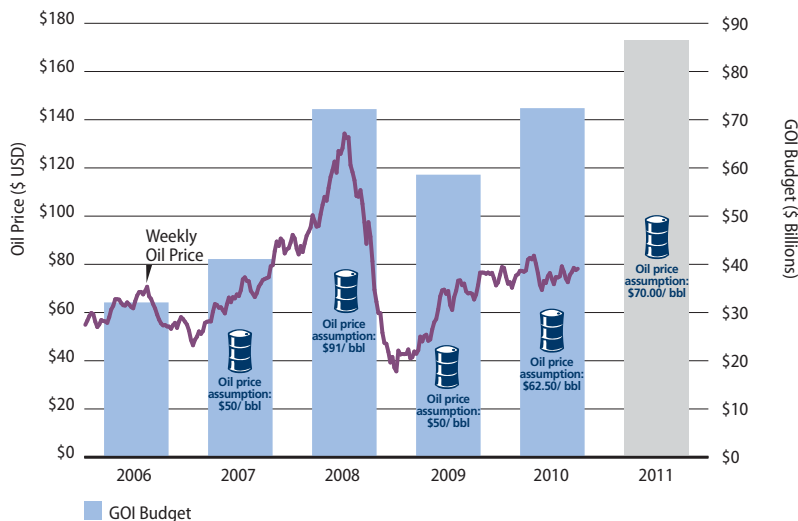


KRG officials in Erbil celebrate the International Day of Peace. (KRG photo)

Iraqis (mainly Kurds) and international firms, and the remaining 72% funded entirely by Iraqi investors. While the region’s laws make it attractive to companies (investment incentives include free land, a 10-year tax holiday, and a 5-year exemption from import duties), corruption and an over-staffed public sector remain persistent problems. According to one official, of the approximately 4.5 million residents in the Kurdistan Region, about 1 million work for the government.

- **Higher education.** KRG officials are currently embarked on an ambitious effort to modernize teacher training and university curricula. Since the 2009 passage of a law reforming the KRG’s higher-education system, promotions are now tied to the successful completion of teacher-training programs. According to the KRG Minister of Higher Education and Scientific Research, however, the effort to replace the old patronage and seniority-focused promotion system met with substantial resistance from long-entrenched members of the professoriate that was overcome only after the prime minister intervened. Notwithstanding these reform efforts, the 12 locally accredited universities operating in the Kurdistan Region remain unable to extend opportunities to the 42,000 students estimated to be seeking higher education.

FIGURE 1.6  
WEEKLY OIL PRICE, GOI BUDGET, AND OIL PRICE ASSUMPTIONS,  
2006–2011



Note: Oil prices reflect the average weekly price of Kirkuk crude oil.

Sources: EIA, "Weekly Kirkuk Netback Price at U.S. Gulf," [www.eia.doe.gov](http://www.eia.doe.gov), accessed 10/12/2010; "GOI Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/9/2009; GOI, CoM, [www.cabinet.iq](http://www.cabinet.iq), accessed 10/14/2009; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010, Article 2 and Annex Schedule B; GOI, Presidential Council, "Federal Public Budget Law for the Fiscal Year 2010," 2/10/2010; IMF, Report No. 10/72, Iraq: Staff Report for the 2009 Article IV Consultation and Request for Stand-By Arrangement, 3/16/2010; GOI, MOF, response to SIGIR data call, 9/29/2010.

the U.S. Department of Treasury, and the MOF, which pointed to challenges in the manner in which figures are accounted for and reported.<sup>26</sup> As discussed in Section 2, the IMF believes that Iraq's fiscal performance has improved. Reduced government spending, higher-than-projected oil revenues, low inflation, and a stable exchange rate resulted in a budget surplus for the first half of 2010, and reflected progress in instituting structural reforms. However, according to the IMF's analysis, "both the fiscal balance and current account are projected to remain in deficit" in 2010–2011, and low oil production and exports are expected to cause a decline in economic growth.<sup>27</sup>

### International Assistance to Iraq

On August 5, 2010, the UN Security Council extended by one year the mandate of the UN Assistance Mission for Iraq (UNAMI). The resolution extending UNAMI's mandate until July 31, 2011

was co-sponsored by the United States, the United Kingdom, Japan, and Turkey and passed the Security Council unanimously. On October 20, UNAMI was to have convened a high-level meeting to discuss the Paris Declaration on Aid Effectiveness as it applies to international assistance to Iraq. The Paris Declaration is an international agreement committing more than 100 countries and organizations to increase their efforts at harmonizing development aid and measuring its results.

## ENERGY

### Oil

As of October 1, 2010, a barrel of Kirkuk crude oil traded at \$78.17 on the global market, down almost 42% from the post-invasion peak of \$134.26 per barrel, which was achieved in the third quarter of 2008, but up nearly 120% from the 2009 low of \$35.60.<sup>28</sup> This quarter, Iraq's oil production averaged 2.33 MBPD, a 2% decrease from last quarter and a 7% decline from the record-setting third quarter of 2009 when production averaged 2.49 MBPD. Iraq's crude oil exports over the past three months averaged 1.85 MBPD, about the same as last quarter's level but down 7% from this time last year.<sup>29</sup>

### The Future of Iraq's Oil Industry

In early October, the Ministry of Oil raised its estimate of proved oil reserves by 24% from 115 billion barrels to 143.1 billion barrels, which—if accurate—places it behind only Saudi Arabia and, possibly, Canada. Officials from Iraq's Ministry of Oil have repeatedly stated their intention to tap these vast reserves to increase production from current levels to more than 12 MBPD within seven years. However, Iraq's oil production has remained relatively flat over the past two years, hovering below 2.5 MBPD,<sup>30</sup> and neglected infrastructure and an uncertain political and security environment may adversely affect Iraq's ability to achieve its desired increase in production.<sup>31</sup>

## U.S. Oil Services Companies Expand Presence

U.S. companies continued to expand their presence in Iraq's oil fields this quarter. Texas-based Halliburton completed the first phase of its base camp in Basrah province, joining Baker Hughes, Schlumberger, and Weatherford there. Halliburton also announced that it has agreed to terms with Shell to work on developing the Majnoon oil field and with the Italian firm Eni to provide services supporting the exploitation of the Zubair field.<sup>32</sup>

## CoM Approves GOI-funded Iraq Crude Oil Export Expansion Project

In early October, the CoM approved the construction of phase one of the Iraq Crude Oil Export Expansion (ICOEE) Project, awarding a \$733 million engineering, procurement, and construction contract to the Asia-based contractor Leighton Offshore. The ICOEE is a three-phase project aimed at increasing Iraq's offshore export capacity by laying new pipelines and refurbishing the 30-year-old infrastructure in and around the port facilities in Basrah province. Iraq's South Oil Company is currently evaluating bids for phase two.<sup>33</sup>

## Securing Oil Facilities

This quarter, there were three reported attacks on Iraq's oil and gas infrastructure, compared to four such attacks last quarter. Although none of this quarter's attacks caused significant damage, safeguarding Iraq's lengthy pipelines and extensive refining and export facilities remains a challenge for Iraq's oil protection police. In August, the Iraqi general in charge of the Oil Police reported that he had about 10,000 fewer personnel than the 41,000 target size for his force.<sup>34</sup>

## Electricity

This quarter, electricity supply on the national grid reached another post-invasion high, averaging 6,540 megawatts (MW), 5% above last quarter's level. Iraq's power plants produced an average of 5,894 MW this quarter, up 8% from last quarter—an increase partly attributable to increased

outputs from hydroelectric plants. Iraq's electricity imports were down 13% from last quarter, averaging 646 MW, with 77% of these imports coming from neighboring Iran.<sup>35</sup>

## Attacks on Electricity Infrastructure Spike

Attacks on Iraq's electricity infrastructure doubled from last quarter (from 16 to 32), marking the third consecutive quarterly rise in reported attacks. Examples included:<sup>36</sup>

- **July 8, western Baghdad**—Two electricity transmission towers were destroyed.
- **July 18, Anbar province**—Three transmission towers were destroyed.
- **August 12, Mosul**—A successful attack on the Mosul Gas power plant stopped production there for two days, disrupting the national power grid.

Other than the incident in Mosul, these attacks are having minimal effect on the availability of electric power.

## Electricity Shortages

The main problem facing Iraq's electricity sector continues to be surging demand outpacing supply. In late August, residents of the southern city of Nassiriya again took to the streets to protest the persistent lack of electricity. Riot police broke up this protest, which was reportedly significantly smaller than the June rioting that forced the resignation of the Minister of Electricity. U.S. and GOI officials report that they are anticipating next summer's shortages to be worse, unless the available electricity supply can somehow keep up with the ever-increasing demand.

## ANTICORRUPTION AND THE RULE OF LAW

This quarter, SIGIR met with five high-ranking GOI anticorruption officials in Baghdad, including the heads of Iraq's COI, Board of Supreme Audit (BSA), and three inspectors general (IGs). Although these agencies continue to face serious challenges to their independence, security, and effectiveness, SIGIR observed some increased institutional capacities, a growing acceptance of the two U.S.-established institutions (COI and the IGs), and a greater degree of international support for Iraqi anticorruption efforts.

Iraq's anticorruption officials continue to operate under constant threat of death or injury. On September 26, Laieh Mohammad, a COI investigator, was killed by shots fired from a silenced pistol as he waited in line to enter the IZ and report to work.

### Key Corruption Cases

GOI anticorruption officials reported significant developments in three major corruption cases this quarter:<sup>37</sup>

- **Appeals Court Denies COI's Appeal in Minister of Trade Case.** In September, Iraq's Federal Appeals Court upheld a lower court's dismissal of a corruption case against the former Minister of Trade. The COI had alleged that the former minister and his brother defrauded Iraq's Public Distribution System of millions of dollars, but a criminal court in Baghdad ruled in the former minister's favor earlier this year. The COI immediately appealed this decision, but in September, the appellate court upheld the lower court's decision dismissing that case. A related corruption case against the former minister is still pending.
- **MOI General Who Purchased "Magic Wand" Bomb Detectors Receives Immunity.** According to the Ministry of Interior (MOI) IG, Article 136(b) of the Iraqi Criminal Procedure Code was used to halt judicial action against the MOI



A Najaf policeman displays his badge following graduation from a USF-I training course. (DoS photo)

general responsible for a widely derided "bomb detection" program that uses metallic wands to supposedly detect explosives at checkpoints. MOI's IG reports that many lives have been lost due to the wands' utter ineffectiveness. However, because Article 136(b) allows a minister to effectively immunize an employee from prosecution, the MOI IG stated to SIGIR that no action was taken against the party responsible for procuring the wands, which, as of October, continued to be used at checkpoints throughout Iraq.<sup>38</sup>

- **CERP-funded Computers Intended for Schools are Misappropriated at Port.** This summer, several thousand computers bought with CERP funds and intended for use by Iraqi schoolchildren in Babylon province went missing from the port facilities at Umm Qasr. Of the 8,000 computers (COI contends that the original order was for about 4,200 computers), several thousand were misappropriated by unknown parties and reportedly sold off at an illegal auction for a fraction of their value. In October, the COI reported that it had recovered more than 4,000 of these computers. COI personnel, assisted by the U.S. Embassy, are continuing to investigate this matter.

### Commission of Integrity

This quarter, COI reported that it had obtained convictions against 387 GOI employees over the first eight months of 2010.<sup>39</sup> Of those convicted,



30 held the rank of Director General or above.<sup>40</sup> For the number of convictions, by province, see Figure 1.7. The COI also concluded agreements with Jordan, Egypt, and the United Arab Emirates to recover stolen assets. These agreements give COI the legal authority to work with those countries as they conduct criminal investigations.<sup>41</sup> For more on the COI's activities in 2009 and 2010, see Section 4.

## Inspectors General

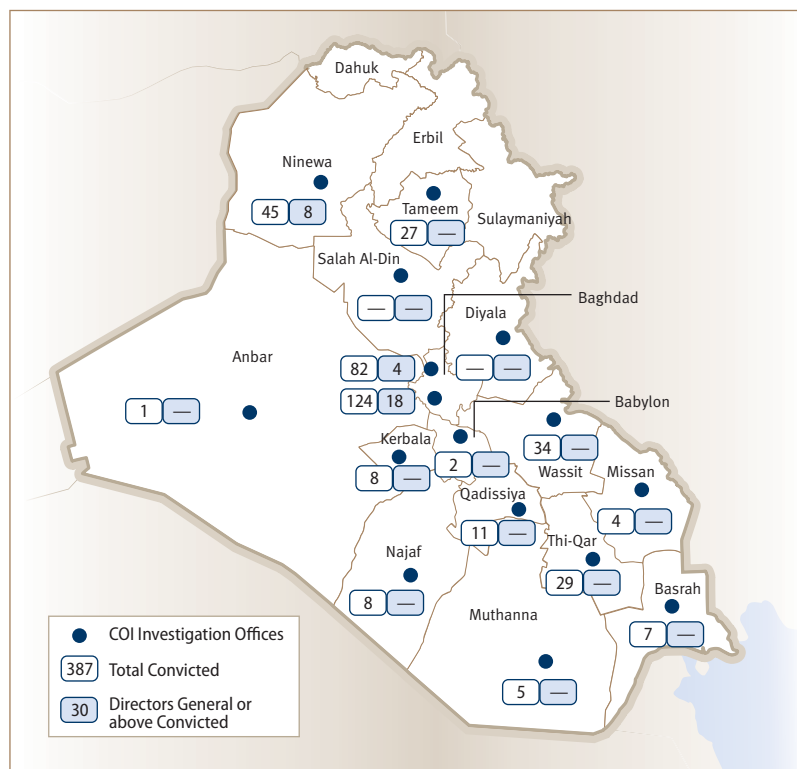
Long regarded as a U.S. creation poorly grafted onto the Iraqi body politic, the ministerial IGs appear to be gaining a degree of acceptance by the GOI. This quarter, SIGIR met with the IGs for the Ministries of Interior, Education, and Electricity. They remarked that their oversight roles were better understood by their ministries, although they cautioned that obtaining full cooperation on internal investigations remained a challenge. Two other themes emerged from these meetings:<sup>42</sup>

- **Staffing.** All the IGs with whom SIGIR met reported that, while their staffs are growing in size, there remains a need for additional and better-trained staff. For example, the Ministry of Education IG has 250 people to oversee a ministry with approximately 600,000 employees.
- **Contracting.** Fraud in procurement contracting continues to be the biggest problem facing the ministries. The lack of trained personnel capable of exercising effective oversight of contracts results in untold millions of dollars worth of wasted and stolen government resources.

## Iraq To Open Anticorruption Academy

In November, Iraq is scheduled to open its first anticorruption training academy at an unused building in the IZ. The building was originally built for the Ministry of Health (MOH) by the U.S. Army Corps of Engineers, although the MOH denies it ever asked for it. The CoM reports that COI will take the lead in administering the anticorruption academy, with support from the newly established, UN-supported International Anti-Corruption Academy (IACA) based in Vienna, Austria.

FIGURE 1.7  
CORRUPTION CONVICTIONS OBTAINED AS A RESULT OF COI INVESTIGATIONS, 1/1/2010–8/31/2010



Source: GOI, COI, response to SIGIR data call, 10/8/2010.

## Judicial Security

Judges continued to be targeted by anti-government forces this quarter. On August 17, four judges were wounded in two separate bomb attacks in central Iraq. An al-Qaeda in Iraq front group later claimed responsibility for these assaults. Later in August, unsuccessful IED attacks targeted a judicial motorcade and an investigative judge's residence, both in Mosul. Since 2003, at least 41 judges have been killed in Iraq, but none have been killed since February 2010.<sup>43</sup>

Although judges are entitled to protective security details (PSDs), a persistent shortage of trained and vetted personnel means that many judges are forced to function without security guards. As of October 2010, Iraq has 1,271 judges, each of whom

is entitled to at least a 5-person PSD, with appellate judges allowed 8-person units. According to MOI officials, there are only about 1,800 judicial security guards in Iraq (or about 20% of the amount needed), and plans to establish a 1,062-man specialized Judicial Security Unit are being held up because of a lack of the necessary spending approvals from the Ministry of Finance.<sup>44</sup>

### Corrections

In conversations with SIGIR this quarter, U.S. and GOI officials reported that rampant overcrowding remains the chief problem facing the Iraqi prison system. U.S. officials cited the inability of the GOI to process detainees efficiently and expeditiously as one of the primary factors driving overcrowding, as it often takes months to check whether a detainee has outstanding warrants against him. Moreover, the Ministry of Justice (MOJ), which administers Iraq's professional corrections officer corps, controls 22 prisons, while MOI runs more than 1,200 small jails.<sup>45</sup> Thus, the ministry with the necessary skills (MOJ) lacks the required facilities.<sup>46</sup>

This quarter, the Ministry of Human Rights (MoHR) signed an agreement with the COI to co-operate in investigating allegations of human rights abuses at GOI-administered detention centers. MoHR officials enlisted COI's assistance in probing these allegations because of claims that prison officials regularly extort money from detainees' families in exchange for better treatment, better food, or release.<sup>47</sup>

## SIGNIFICANT LEGAL DEVELOPMENTS

### Blackwater/Xe Settles with DoS over Export Violations

This quarter, Xe Services (formerly known as Blackwater) agreed to pay a \$42 million civil penalty for violating U.S. export-control regulations

288 times. According to documents released by DoS, Blackwater/Xe's alleged violations included diverting weapons intended to assist U.S. military efforts in Iraq to other uses. Under the terms of its agreement with DoS, Xe is allowed to devote \$12 million of the \$42 million to strengthening its internal controls programs.<sup>48</sup>

### Iraqis Can Go Forward with Torture Suit against U.S. Contractor

In late July, a federal judge in Maryland denied a motion by U.S. contractor L-3 Services to dismiss claims brought by 72 Iraqis (and one U.S. citizen) alleging they were tortured and mistreated by L-3 personnel at detention facilities across Iraq, including Abu Ghraib. The judge rejected L-3's claims that it was immune from such charges because of its status as a government contractor. The judge's ruling allowed the case to continue, and it is now in the discovery phase.<sup>49</sup>

## SIGIR OVERSIGHT

### Audits

This quarter, SIGIR issued five audits and one nonaudit report describing the methodology used for SIGIR's forensic data mining and analysis. Since 2004, SIGIR has published 177 reports on the U.S. reconstruction program. As described in more detail in Section 5, SIGIR's audits this quarter reviewed:

- **DoS Oversight of Democracy Grants to National Democratic Institute (NDI).** SIGIR examined a \$50 million DoS grant to the National Democratic Institute (NDI) to promote democracy in Iraq. SIGIR assessed NDI's claimed security costs and the extent to which the grantee documented its success in achieving its governance, political participation, and civil society goals and objectives. SIGIR found that NDI's \$13.5 million in security costs charged to the grant were generally reasonable, allowable, and

allocable. However, NDI appears to have charged more for security contract administration, which is an indirect cost, than allowed. SIGIR also found that while NDI maintained comprehensive information on its activities and conducted several impact assessments, it does not have a systematic approach with clearly defined metrics to measure the impact of all of its work.

- **DoD Management and Use of Iraqi Vested and Seized Asset Funds.** SIGIR sought to determine whether DoD organizations established controls to account for and track obligations, expenditures, and remaining unobligated vested and seized assets obtained by the United States (frozen Iraqi bank accounts and recovered cash). SIGIR found that the Department of the Army created accounts, controls, and monthly reports to account for these funds. Nevertheless, as of July 31, 2010, the Army had no plans or procedures in place to spend the remaining \$47.4 million.
- **Management and Outcomes of the DoD Program to Train and Equip Iraqi Police Forces.** Since 2003, the United States has spent about \$7.3 billion on a program to help the GOI train, staff, and equip Iraqi police forces to maintain domestic order. But while DoD reports that more than 400,000 Iraqi police have received training and are on the force, the capabilities of these forces are unknown because no assessments of total force capabilities were made. SIGIR found weaknesses in DoD's management of the program, particularly in program planning and assessments, communications and coordination between organizations performing the training, and oversight of contract police advisors. The impact of these weaknesses on the program is difficult to quantify but undoubtedly led to inefficiencies and waste. Consequently, in 2011, when DoS takes over responsibility for police training programs from DoD, it will be assuming responsibility to advise and assist police forces whose capabilities have not been assessed in any comprehensive way.

- **Management and Outcomes of the DoD Program To Train and Equip the Iraqi Special Operations Force (ISOF).** SIGIR found that the U.S. Special Operations Forces used established military training processes in training and equipping over 4,100 ISOF soldiers. At least \$237 million from the ISFF was used to equip and sustain the ISOF, but an unknown amount from the IRRF was used for procuring new equipment in support of all Iraqi security forces. Two broader issues worthy of notice arose during the conduct of this audit. First, the extra-constitutional movement of the ISOF from the MOD to the Prime Minister's Office raises concerns about how the force will be used in the future. Second, the GOI's commitment to sustain the force seems uncertain, as evidenced by the lack of a dedicated budget, poor logistical and recruiting support, and the irregular payment of certain financial incentives to the soldiers.
- **SIGIR's Forensic Audit Initiative.** This quarter, SIGIR completed its initial review of nearly 180,000 transactions valued at approximately \$40 billion involving DoD, DoS, and U.S. Agency for International Development (USAID) reconstruction expenditures during fiscal years 2003–2009. SIGIR identified 54 potential duplicative payments made by DoS, totaling approximately \$18 million. SIGIR also discovered a possible breakdown in separation of duties in the management of the CERP and opened four new criminal investigations as a result of these findings, bringing the total number of investigations originated from this work to 53.

For more on SIGIR's audit activities this quarter, see Section 5.

## Investigations

To date, SIGIR's investigative work has led to 31 arrests, 50 indictments, 41 convictions, and more than \$71.2 million in court-ordered fines, forfeitures, and restitution payments. As of early October 2010,

SIGIR investigators were working 110 open cases. Recent investigative accomplishments included:

- On July 23, Theresa Russell, a former staff sergeant in the U.S. Army, was sentenced in federal court in San Antonio, Texas, to five years probation and ordered to pay \$31,000 in restitution and a \$100 special assessment. The sentence was the result of a January 27, 2010, guilty plea to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq.
- In early August, Major Mark R. Fuller, a U.S. Marine Corps fighter pilot, pled guilty to two felony counts of stealing CERP funds intended for Iraq reconstruction during his 2005 deployment to Falluja.
- On August 11, Wajdi Birjas, a former DoD contract employee, pled guilty to conspiracy to bribe U.S. Army contracting officials stationed at Camp Arifjan, an Army base in Kuwait, and to money-laundering conspiracy involving former Majors Christopher Murray and James Momon, as well as a sergeant first class deployed to Camp Arifjan as a senior procurement non-commissioned officer.
- On September 2, Dorothy Ellis, a former senior employee of a U.S. military contractor, pled guilty to conspiracy to pay \$360,000 in bribes to U.S. Army contracting officials stationed at Camp Arifjan in Kuwait. According to court documents, Hall obtained the work by bribing certain U.S. Army contracting officers, including Momon and Murray. Ellis admitted that she participated in the bribery scheme by providing Momon and Murray access to secret bank accounts established on their behalf in the Philippines. Under the plea agreement, Ellis agreed to forfeit \$360,000 to the government. Sentencing is scheduled for December.
- In mid-September, papers were filed in federal court charging a U.S. Army major with one count of bribery. The major, who had served two tours in Iraq and one in Afghanistan, was charged with accepting money and other items of value from two foreign nationals affiliated with companies that sought and received Army contracts. If convicted, the major will have to forfeit all property derived from proceeds traceable to the commission of the offense, including two Rolex watches, real estate, a camper trailer, a Harley Davidson motorcycle, and a Dodge Ram truck.
- On September 17, U.S. Army Captain Faustino Gonzales was sentenced to 15 months in prison and ordered to pay a fine of \$10,000 and restitution in the amount of \$25,500 for receiving cash bribes and awarding CERP-funded contracts based on inflated prices.
- On October 1, Ismael Salinas pled guilty to receiving hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. Salinas overbilled DoD by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas faces up to five years in prison when he is sentenced in December.
- On October 5, 2010, Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, pled guilty to accepting a \$25,000 bribe in exchange for awarding numerous contracts to a Lebanon-based company.
- On October 6, U.S. Army Reserve Lt. Col. Bruce Gillette pled guilty to one count of improper acts affecting a personal financial interest. While working with as a U.S. military liaison to the UN in support of Iraq's 2005 elections, Gillette on more than one occasion suggested that a contractor he was in discussions with for potential future employment pay a bribe to a GOI official. He is scheduled to be sentenced in January and faces a maximum penalty of one year imprisonment, one year supervised release, and a fine of \$100,000.
- In mid-October, a foreign national employed at U.S. Embassy-Baghdad was indicted on two counts of theft of public money and one count of acts affecting a personal financial interest. According to the indictment, the accused fraudulently caused more than \$237,000 in U.S.



government funds, intended for the payment of services provided to the U.S. Embassy, to be sent to a bank account in Jordan that he controlled.

- On October 18, 2010, Major Richard Harrington, U.S. Marine Corps, was charged and pled guilty in federal court to demanding, seeking, and receiving gratuities. In 2005, Harrington was stationed in Falluja, serving as a contracting officer representative. There, while in charge of monitoring contractors' performance, he wrongfully solicited and accepted gifts from a contractor. His sentencing is scheduled for January, at which time he faces up to two years imprisonment, up to one year supervised release, and a maximum fine of \$250,000.

In October, for the second year in a row, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) presented SIGIR's Investigations directorate with its Award for Excellence in recognition of its achievements in fighting fraud in Iraq. For more on SIGIR's investigative work, see Section 5.

## Evaluations

This quarter, SIGIR issued its first evaluation report, assessing the status of the Nassiriya and Iqra (Kurdistan Region) Water Treatment Plants (WTPs), the perceptions of GOI officials and the local population regarding these projects, and the contribution of these projects to overall U.S. strategic goals. Costing a combined \$462 million, these WTP projects are two of the largest U.S.-funded infrastructure projects in Iraq. Based on data from recent focus groups and polls of the local populations, Thi-Qar residents hold an overwhelmingly negative view of the Nassiriya WTP project, the GOI, and the U.S. government. In contrast, most Erbil province residents hold a positive view of the Iqra WTP project, the KRG, and the U.S. government. For more information on this evaluation, see Section 5.

## Congressional Testimony

On September 23, the Inspector General testified before the House Committee on Oversight and Government Reform on the problems DoS may face as it assumes full responsibility from DoD for overseeing an ongoing reconstruction program that, while smaller than the Iraq programs of recent years, will still be among the largest DoS has ever managed. Foremost among these problems will be a lack of information about reconstruction activities previously administered by other government agencies. In his testimony, the Inspector General recommended that DoS:

- improve its program controls and business practices, including on-the-ground program oversight and contract and grant management
- inventory what has been accomplished in Iraq's reconstruction and act to ensure that U.S. investments are not wasted by neglect in the asset-transfer phase or by subsequent failure by the GOI to sustain them

# HUMAN TOLL

## U.S. Civilian Deaths

In late July, a 54-year-old U.S. citizen working as a contractor for KBR in Iraq was killed by incoming mortar fire. He had served in Iraq in various capacities since 2004. Overall, DoS reported that five U.S. civilians died in Iraq this quarter (one from mortar fire, two from natural causes, one in a car accident, and one whose cause of death has yet to be determined). Since March 2003, at least 310 U.S. civilians have died in Iraq.<sup>50</sup>

## Contractors

The Department of Labor (DoL) received reports of 14 additional deaths of contractors working on U.S.-funded reconstruction programs in Iraq this quarter. DoL also received reports of 799 injuries this quarter that resulted in the contractor missing

at least four days of work. Since DoL began compiling this data in March 2003, it has received reports of 1,507 contractor deaths in Iraq.<sup>51</sup>

### Journalists

September 2010 was the deadliest month for journalists in Iraq since March 2009, with three journalists killed over a four-week span in September and early October. On September 7, Riad al-Saray, an anchor for the state-owned al-Iraqiya television station was killed by unknown gunmen as he was driving in western Baghdad. The next day, a reporter for a Ninewa-based television outlet was gunned down in front of his home in Mosul. On October 4, a freelance cameraman was killed by a sticky bomb attached to his car. Although these were the only journalist fatalities this quarter, in late July a massive car bomb detonated outside the Baghdad office of the satellite news channel al-Arabiya, killing three non-journalist employees at the station and wounding 16 others. And in late September, another al-Iraqiya anchor was seriously injured by a sticky bomb attached to his automobile.<sup>52</sup>

On September 15, the KRG released the results of its five-month investigation into the circumstances surrounding the May 2010 death of Sardasht Osman, a freelance reporter who had often been critical of Kurdish government officials. The brief report blamed the terrorist group Ansar al-Islam for Osman's murder. The Committee to Protect Journalists denounced the KRG's findings, noting that the report failed to provide any evidence to substantiate its conclusions.<sup>53</sup>

### Fate of Iraqi Translators

On August 12, 2010, 22 members of the U.S. Congress wrote to the Secretaries of State and Defense asking that the Administration formulate a plan to support the thousands of Iraqi nationals who have worked for the United States since 2003. The members asked the Administration to expedite the process of resettling in the United States those who elect that option and consider an airlift of Iraqis who could be in danger after the withdrawal of U.S. troops.<sup>54</sup> ♦

## ESSENTIAL SERVICES

In its book-length review of the U.S. reconstruction effort, *Hard Lessons: The Iraq Reconstruction Experience*, published in February 2009, SIGIR charted several key metrics in Iraq from before the 2003 invasion to the end of the surge in mid-2008. SIGIR has continued to monitor these metrics, as shown below. ♦

### ESSENTIAL SERVICES

METRIC	PRE- INVASION	POST- INVASION	CPA TRANSITION	NEGROPONTE ERA	KHALILZAD ERA	SURGE ENDS	END OF COMBAT OPERATIONS
<b>Electricity Production<sup>a</sup></b>							
Megawatts	4,075	711	3,621	4,262	3,475	4,400	6,540
<b>Oil Production</b>							
Million Barrels per Day	2.58	0.30	2.16	2.13	1.95	2.43	2.33
<b>Iraq Security Forces (Cumulative)</b>							
Assigned Soldiers and Police	1,300,000	7,000–9,000	87,000	171,300	328,700	478,500	793,289
<b>Telecommunications</b>							
Landline Subscribers	833,000	0	791,000	998,000	1,111,000	1,200,000	Not available
Mobile Subscribers	80,000	0	461,000	2,422,000	8,720,000	~13,000,000	22,551,000
<b>Human Toll (Cumulative)</b>							
U.S. Troop Fatalities		139	862	1,745	3,248	4,115	4,415
Civilian Contractors		1	46	217	916	1,229	1,507 <sup>b</sup>
U.S. Civilians		~9	52	113	224	271	310
Iraqi Civilians		7,413	16,848	29,155	72,858	95,236	113,701
<b>Financial Cost (\$ Billions, Cumulative)</b>							
U.S. Funding		\$3.45	\$22.93	\$29.21	\$36.96	\$50.46	\$56.81
Iraqi Funding		\$0.00	\$16.00	\$21.03	\$37.27	\$50.33	\$85.31 <sup>c</sup>
International Funding		\$0.00	\$13.60	\$13.87	\$15.20	\$17.00	\$12.01 <sup>d</sup>
<b>Total Funding</b>		<b>\$3.45</b>	<b>\$52.53</b>	<b>\$64.11</b>	<b>\$89.43</b>	<b>\$117.79</b>	<b>\$154.12</b>

**Note:** Numbers affected by rounding.

<sup>a</sup> To be consistent with the data reported in *Hard Lessons*, the electricity *production* here includes imported electricity. Elsewhere in this Report, *production* excludes imports.

<sup>b</sup> Contractor deaths reflect those reported to the U.S. DoL Division of Longshore and Harbor Worker Compensation in claims seeking compensation under the Defense Base Act.

<sup>c</sup> \$85.31 billion represents the total of Iraqi funds overseen by the Coalition Provisional Authority (CPA) and Iraqi capital budgets. SIGIR has updated its methodology for calculating the GOI contribution to Iraq reconstruction to incorporate actual expenditures of GOI capital budgets, when the data is available. For details, see Section 2.

<sup>d</sup> SIGIR has updated its methodology for calculating the international contribution to Iraq reconstruction to use committed funding, rather than pledged funding, as it has reported in prior years. For details, see Section 2.

**Sources:** SIGIR, *Hard Lessons: The Iraq Reconstruction Experience*, Washington, DC: Government Printing Office, 2009, p. 319; GOI, MOH IG, response to SIGIR data call, 9/27/2010; DoL, response to SIGIR data call, 10/4/2010; "Iraq's National Cellular Operators' Lines Increase 108% in First Half of 2010," *Arab Advisors Group*, 9/5/2010, [www.opensource.gov](http://www.opensource.gov), accessed 10/12/2010; DoS, response to SIGIR data call, 10/15/2010; P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; OSD, response to SIGIR data call, 10/15/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFB50, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; GOI, MOF, "Evaluation of the Iraqi Budget, 2006–2010," 8/2010; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July-December," 2003.

# FUNDING FOR IRAQ RECONSTRUCTION

FUNDING OVERVIEW	24
U.S. FUNDING	25
IRAQI FUNDING	44
INTERNATIONAL SUPPORT	46

SECTION

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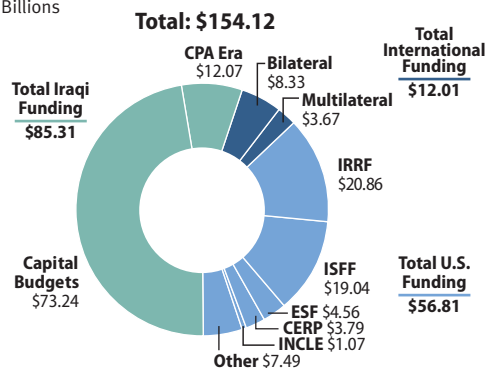
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## FUNDING OVERVIEW

FIGURE 2.1

### FUNDING SOURCES, 2003–2010

\$ Billions



Note: Data not audited. Numbers affected by rounding.

Sources: See Figure 2.2.

As of September 30, 2010, \$154.12 billion had been made available for the relief and reconstruction of Iraq through three main sources:<sup>55</sup>

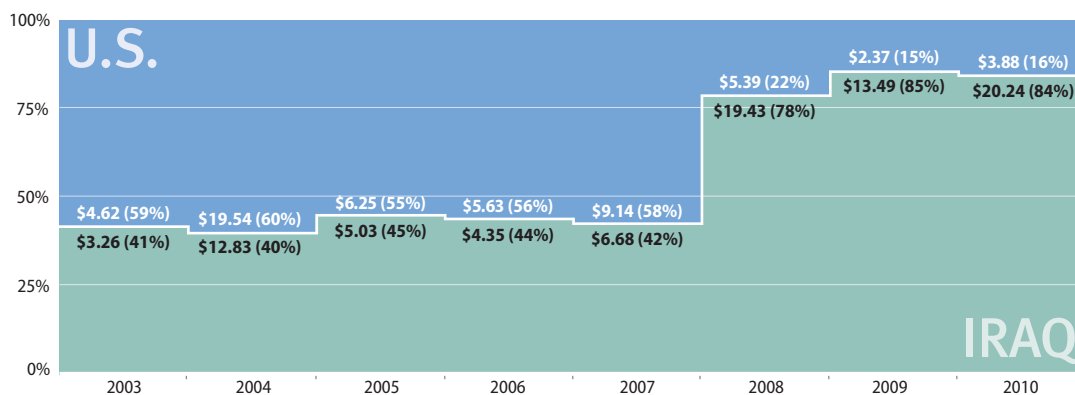
- U.S. appropriations—\$56.81 billion
- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and expenditures of the Iraqi capital budget—\$85.31 billion
- International commitments of assistance and loans from non-U.S. sources—\$12.01 billion

See Figure 2.1 for an overview of these funding sources. See Figure 2.2 for a historical comparison of U.S. and Iraqi support for reconstruction. ♦

FIGURE 2.2

### U.S. AND IRAQI SUPPORT FOR RECONSTRUCTION, 2003–2010

\$ Billions (% of Combined Annual Funding)



Note: Data not audited. Numbers affected by rounding. U.S. contributions are represented by U.S. fiscal year. Iraqi contributions are represented by Iraqi fiscal year (which coincides with the calendar year).

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; OSD, response to SIGIR data call, 10/15/2010; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBDO, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010; GOI, MOF, "Evaluation of the Iraqi Budget, 2006–2010," 8/2010; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003.

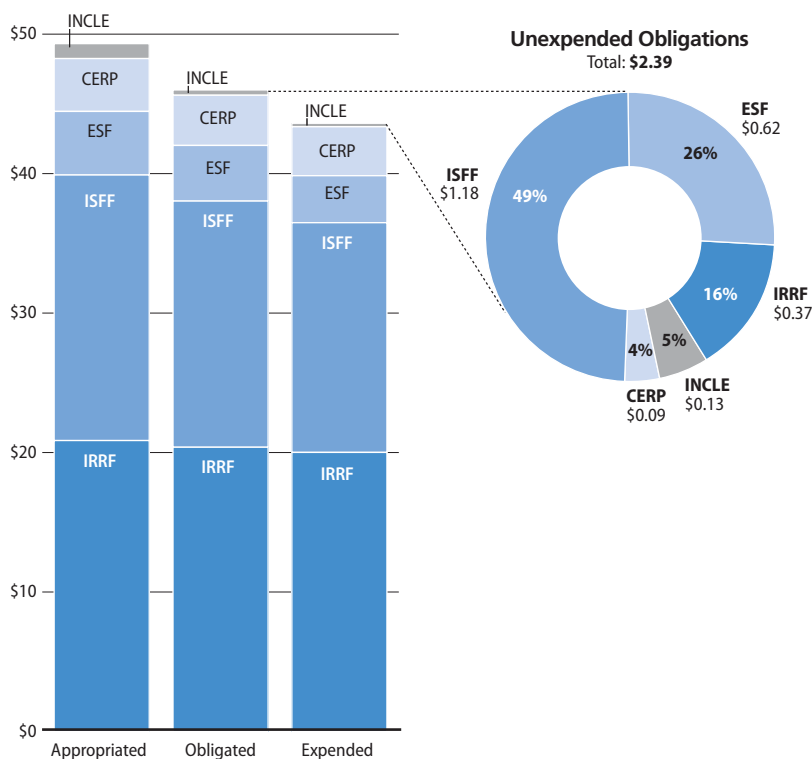
## U.S. FUNDING

Since 2003, the U.S. Congress has appropriated or otherwise made available \$56.81 billion for reconstruction efforts in Iraq, including the building of physical infrastructure, establishment of political and societal institutions, reconstitution of security forces, and the purchase of products and services for the benefit of the people of Iraq.<sup>56</sup>

As of September 30, 2010, \$49.32 billion had been made available through five major funds:<sup>57</sup>

- Iraq Relief and Reconstruction Fund (IRRF)—\$20.86 billion
- Iraq Security Forces Fund (ISFF)—\$19.04 billion
- Economic Support Fund (ESF)—\$4.56 billion
- Commander's Emergency Response Program (CERP)—\$3.79 billion
- International Narcotics Control and Law Enforcement (INCLE)—\$1.07 billion

**FIGURE 2.3**  
**STATUS OF MAJOR U.S. FUNDS**  
\$ Billions



Of this amount, \$46.00 billion had been obligated, and \$43.61 billion had been expended.<sup>58</sup>

The military drawdown and accompanying transfer of reconstruction responsibilities to civilian control has rendered the INCLE an increasingly significant source of funding. SIGIR will now report on it as a major fund, providing greater detail on the activities that it supports.

Of the \$46.00 billion obligated from the major funds, \$2.39 billion had not been expended as of September 30, 2010. An additional \$3.31 billion had not been obligated, but \$1.43 billion of these funds had expired. Only funds that have not yet expired—\$1.88 billion as of September 30, 2010—may be obligated for new projects.<sup>59</sup>

The Congress also made \$7.49 billion available through several smaller funding streams.<sup>60</sup>

For an overview of U.S. appropriations, obligations, and expenditures from the five major funds, as of September 30, 2010, see Figure 2.3. For details on appropriations and the status of all funds as of September 30, 2010, see Table 2.1.

**Note:** Data not audited. Numbers affected by rounding.

**Sources:** P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; DoS, response to SIGIR data call, 4/5/2007; INL, response to SIGIR data call, 9/30/2010; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; OSD, responses to SIGIR data calls, 4/10/2009, 10/14/2010, and 10/15/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, responses to SIGIR data call, 7/8/2010 and 7/13/2010; USDIA, response to SIGIR data call, 4/2/2009; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009.

# FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.1

## U.S. APPROPRIATED FUNDS

\$ Millions

APPROPRIATIONS BY FISCAL YEAR, FY 2003–FY 2009

	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-13	P.L. 109-102, P.L. 109-148, P.L. 109-234	P.L. 109-289, P.L. 110-5, P.L. 110-28	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149, P.L. 110-161, P.L. 110-252	P.L. 110-252, P.L. 111-32
	2003	2004	2005	2006	2007	2008	2009
<b>MAJOR FUNDS</b>							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2) <sup>a</sup>	2,475	18,389					
Iraq Security Forces Fund (ISFF)			5,490	3,007	5,542	3,000	1,000
Economic Support Fund (ESF) <sup>b</sup>	50			1,545	1,478	664	439
Commander's Emergency Response Program (CERP) <sup>c</sup>		140	718	649	743	956	335
International Narcotics Control and Law Enforcement (INCLE)				91	170	85	20
<b>Subtotal</b>	<b>2,525</b>	<b>18,529</b>	<b>6,208</b>	<b>5,292</b>	<b>7,934</b>	<b>4,705</b>	<b>1,794</b>
<b>OTHER ASSISTANCE PROGRAMS</b>							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	40				78	278	260
Natural Resources Risk Remediation Fund (NRRRF) <sup>d</sup>	801						
Iraq Freedom Fund (Other Reconstruction Activities) <sup>e</sup>	700						
P.L. 480 Food Aid (Title II and Non-Title II)	368		3			24	
Democracy Fund (Democracy)					190	75	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24		7		45	85	51
Iraq Freedom Fund (TFBSO)					50	50	74
Department of Justice (DoJ)	37		2	10	23	25	7
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) <sup>f</sup>					19	16	36
Child Survival and Health Programs Fund (CSH)	90						
Education and Cultural Exchange Programs (ECA)				7	5	7	7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3				
International Affairs Technical Assistance				13	3		
U.S. Marshals Service		2		3	2	2	1
International Military Education and Training (IMET)					1	2	2
Alhurra-Iraq Broadcasting		5					
<b>Subtotal</b>	<b>2,069</b>	<b>22</b>	<b>15</b>	<b>33</b>	<b>416</b>	<b>563</b>	<b>438</b>
<b>RECONSTRUCTION-RELATED OPERATING EXPENSES</b>							
Diplomatic and Consular Programs <sup>g</sup>							
Coalition Provisional Authority (CPA) <sup>h</sup>		908					
Project and Contracting Office (PCO) <sup>i</sup>				200	630		
USAID Operating Expenses (USAID OE)	21		24	79		46	52
U.S. Contributions to International Organizations (IO Contributions)						38	30
Iraq Freedom Fund (PRT Administrative Costs)					100		
<b>Subtotal</b>	<b>21</b>	<b>908</b>	<b>24</b>	<b>279</b>	<b>730</b>	<b>84</b>	<b>82</b>
<b>RECONSTRUCTION OVERSIGHT</b>							
Special Inspector General for Iraq Reconstruction (SIGIR)		75		24	35	3	44
USAID Office of the Inspector General (USAID OIG)	4	2	3		3	7	4
DoD Office of the Inspector General (DoD OIG)				5		21	
DoS Office of the Inspector General (DoS OIG)				1	3	4	6
Defense Contract Audit Agency (DCAA)					16		
<b>Subtotal</b>	<b>4</b>	<b>77</b>	<b>3</b>	<b>30</b>	<b>57</b>	<b>34</b>	<b>54</b>
<b>Total</b>	<b>4,619</b>	<b>19,536</b>	<b>6,250</b>	<b>5,635</b>	<b>9,137</b>	<b>5,386</b>	<b>2,367</b>

<sup>a</sup> The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred roughly \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

<sup>b</sup> FY 2003 reflects \$40 million from the ESF base account that was not reimbursed and \$10 million from P.L. 108-11.

<sup>c</sup> Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.

<sup>d</sup> Includes funds transferred from the Iraq Freedom Fund (IFF).

<sup>e</sup> Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.

<sup>f</sup> The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

<sup>g</sup> Diplomatic and Consular Programs comprises FY 2010 supplemental funding to support U.S. Embassy-Baghdad in establishing an enduring provincial presence.

<sup>h</sup> Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>i</sup> Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

	FY 2010				STATUS OF FUNDS		
	P.L. 111-117	P.L. 111-118	P.L. 111-212				
	12/16/09	12/19/09	7/29/10	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
MAJOR FUNDS							
Iraq Relief and Reconstruction Fund (IRRF 1 and IRRF 2)				20,864	20,382	20,009	482
Iraq Security Forces Fund (ISFF)			1,000	19,039	17,655	16,470	444
Economic Support Fund (ESF)	383			4,559	3,986	3,369	317
Commander's Emergency Response Program (CERP)		245		3,786	3,599	3,510	187
International Narcotics Control and Law Enforcement (INCLE)	52		650	1,068	380	249	2
Subtotal	435	245	1,650	49,317	46,003	43,608	1,431
OTHER ASSISTANCE PROGRAMS							
Migration and Refugee Assistance (MRA) and Emergency Refugee & Migration Assistance (ERMA)	300			956	955	790	
Natural Resources Risk Remediation Fund (NRRRF)				801	801	801	
Iraq Freedom Fund (Other Reconstruction Activities)				700	680	654	
P.L. 480 Food Aid (Title II and Non-Title II)				395	395	395	
Democracy Fund (Democracy)				265	265	222	
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	33		9	255	254	202	
Iraq Freedom Fund (TFBSO)				174	86	53	
Department of Justice (DoJ)	8			112	89	82	
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)	30			101	62	62	
Child Survival and Health Programs Fund (CSH)				90	90	90	
Education and Cultural Exchange Programs (ECA)	7			33			
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)				27	27	10	
International Affairs Technical Assistance				16	16	14	
U.S. Marshals Service				9	9	9	
International Military Education and Training (IMET)	2			7	8	5	
Alhurra-Iraq Broadcasting				5	5	5	
Subtotal	380		9	3,946	3,741	3,394	
RECONSTRUCTION-RELATED OPERATING EXPENSES							
Diplomatic and Consular Programs			1,030	1,030			
Coalition Provisional Authority (CPA)				908	832	799	
Project and Contracting Office (PCO)				830			
USAID Operating Expenses (USAID OE)	57			279			
U.S. Contributions to International Organizations (IO Contributions)	33			101			
Iraq Freedom Fund (PRT Administrative Costs)				100			
Subtotal	90		1,030	3,248	832	799	
RECONSTRUCTION OVERSIGHT							
Special Inspector General for Iraq Reconstruction (SIGIR)	23			203	190	180	
USAID Office of the Inspector General (USAID OIG)	7			29			
DoD Office of the Inspector General (DoD OIG)				26			
DoS Office of the Inspector General (DoS OIG)	7			21			
Defense Contract Audit Agency (DCAA)				16			
Subtotal	37			295	190	180	
Total	941	245	2,689	56,806	50,766	47,982	1,431

**Sources:** USACE, responses to SIGIR data calls, 10/6/2008 and 10/6/2010; USAID, responses to SIGIR data calls, 1/12/2009, 4/8/2009, 7/8/2010 and 7/13/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBSO, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, responses to SIGIR data calls, 10/3/2009 and 7/14/2010; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; OSD, responses to SIGIR data calls, 4/10/2009, 10/14/2010 and 10/15/2010; U.S. Treasury, response to SIGIR data call, 4/2/2009; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 9/27/2010, 10/4/2010, 10/6/2010, and 10/7/2010; IRMS, *USF-I CERP Category Report*, 9/20/2010; INL, response to SIGIR data call, 9/30/2010.



## New Appropriations

### FY 2010 Supplemental Appropriations Act Passed by the Congress

This quarter, the Congress appropriated \$2.68 billion in new funding for Iraq reconstruction: \$1.65 billion in new reconstruction assistance and \$1.03 billion in new funding for reconstruction-related operating expenses.<sup>61</sup> The funding was provided in the FY 2010 supplemental appropriations act (H.R. 4899), which was passed by the Congress on July 27, 2010,<sup>62</sup> and was signed into law (P.L. 111-212) on July 29.<sup>63</sup> In total, the appropriation was \$407 million less than the Administration's request—nearly \$133 million more than requested for assistance, but \$540 million less than requested for construction and reconstruction-related operating expenses.<sup>64</sup> For details of the FY 2010 regular and supplemental appropriations, see Table 2.2.

### FY 2011 Regular Appropriations Request Considered by the Congress

In February 2010, the Administration requested \$2.93 billion in FY 2011 appropriations for Iraq. According to the Administration's foreign operations budget justification, the requested appropriations are intended to help civilian agencies expand to fulfill responsibilities previously borne by the Department of Defense (DoD). For details of the request, see Table 2.2.

The requested foreign operations appropriations are intended to help civilian agencies expand to fulfill responsibilities previously borne by the Department of Defense.

### SIGIR Forensic Audit

In October, SIGIR released the fifth interim report on its forensic audit of Iraq reconstruction funds, identifying additional instances of questionable activity. This quarter, SIGIR reviewed 71,295 transactions valued at \$4.0 billion, bringing the total transactions reviewed to 179,207 valued at \$39.8 billion. The effort has yielded 53 criminal investigations,

TABLE 2.2  
FY 2010 AND FY 2011 APPROPRIATIONS  
\$ Millions

FUND		FY 2010 APPROPRIATIONS			FY 2011 REGULAR APPROPRIATIONS
		REGULAR	SUPPLEMENTAL	TOTAL	REQUEST
Foreign Assistance					
Defense	ISFF		1,000	1,000	2,000
	CERP	245		245	200
	<b>Subtotal</b>	<b>245</b>	<b>1,000</b>	<b>1,245</b>	<b>2,200</b>
Foreign Operations	ESF	383		383	383
	INCLE	52	650	702	315
	NADR	30		30	30
	IMET	2		2	2
	<b>Subtotal</b>	<b>467</b>	<b>650</b>	<b>1,117</b>	<b>729</b>
<b>Total Assistance</b>		<b>712</b>	<b>1,650</b>	<b>2,362</b>	<b>2,929</b>
Reconstruction-Related Operating Expenses					
State			1,030	1,030	0
<b>Total Operating</b>			<b>1,030</b>	<b>1,030</b>	<b>0</b>
<b>Total Assistance and Operating</b>		<b>712</b>	<b>2,680</b>	<b>3,392</b>	<b>2,929</b>

**Note:** Numbers affected by rounding. Debate on the FY 2011 regular appropriations request is ongoing, and it is not known when the law(s) will pass. Table does not include all appropriations related to Iraq reconstruction; for complete details, see Table 2.1.

**Sources:** P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 25, 55, 64; DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, pp. 5, 9; DoS, "FY 2010 Supplemental Budget Justification," 2/1/2010, p. 31; DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23.

including 4 opened this quarter.<sup>65</sup> SIGIR also issued a report this quarter that details the methodology it used to conduct this work, to aid other inspectors general in conducting similar forensic audits.<sup>66</sup> For more information, see Section 5 of this Report.

## Iraq Relief and Reconstruction Fund

The IRRF has been the largest source of U.S. reconstruction funds, comprising \$20.86 billion made available through two appropriations: IRRF 1 (\$2.48 billion) and IRRF 2 (\$18.39 billion).<sup>67</sup>

As of September 30, 2010, \$373 million of obligated funds had not been expended: \$10 million from the IRRF 1 and \$363 million from the IRRF 2. An additional \$482 million had not been obligated; as a result, these funds have expired, and they may not be obligated to new projects.<sup>68</sup> SIGIR is currently auditing the IRRF to determine the

exact status of funds and, depending on the audit's findings, may correct these agency-reported values.

The IRRF 1 was canceled on September 30, 2009, five years after the end of the period during which it was permissible to make new obligations; consequently, there is no longer authority to obligate or expend any funds from the IRRF 1.<sup>69</sup>

The period of obligation for some IRRF 2 funds was extended by P.L. 109-234 and P.L. 110-28, essentially extending the period of obligation for some of the IRRF 2 until September 30, 2008. Consequently, some IRRF 2 funds will remain available for expenditure until September 30, 2013.<sup>70</sup>

For the status of the IRRF, as of September 30, 2010, see Table 2.3.

## Ongoing IRRF-funded Projects

According to the Iraq Strategic Partnership Office (ISPO), as of September 30, 2010, there were 25 ongoing IRRF projects, with a total cost of nearly \$330 million.<sup>71</sup> For a complete list of ongoing IRRF-funded projects, see Table 2.4.

As of September 30, 2010, there were 25 ongoing IRRF projects, with a total cost of nearly \$330 million.

TABLE 2.3  
IRRF: STATUS OF FUNDS, BY APPROPRIATION AND SECTOR  
\$ Millions

APPROPRIATION	SECTOR	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
IRRF 1	<b>Subtotal</b>	<b>2,258.7</b>	<b>2,248.5</b>		
IRRF 2	Security & Law Enforcement	4,928.7	4,892.8	-0.8 (0%)	0.3 (0%)
	Electric Sector	4,102.8	4,058.8	0.2 (0%)	1.2 (0%)
	Justice, Public Safety Infrastructure, & Civil Society	2,312.6	2,209.2	-1.2 (0%)	
	Water Resources & Sanitation	1,968.3	1,950.5	0.3 (0%)	5.9 (0%)
	Oil Infrastructure	1,604.3	1,593.0		0.5 (0%)
	Private Sector Development	860.0	830.0		
	Health Care	816.6	802.1	-0.3 (0%)	0.6 (0%)
	Education, Refugees, Human Rights, Democracy, & Governance	519.5	447.6	-0.1 (0%)	
	Transportation & Telecommunications Projects	466.6	455.3		2.5 (1%)
	Roads, Bridges, & Construction	279.3	271.3	-0.5 (0%)	4.2 (2%)
	Administrative Expenses	219.5	217.9		
	ISPO Capacity Development	45.4	32.2		3.4 (12%)
	<b>Subtotal</b>	<b>18,123.6</b>	<b>17,760.6</b>	<b>-2.4 (0%)</b>	<b>18.6 (0%)</b>
<b>Total</b>		<b>20,382.2</b>	<b>20,009.2</b>	<b>-2.4 (0%)</b>	<b>18.6 (0%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: DoS, response to SIGIR data call, 4/5/2007; NEA-I, responses to SIGIR data calls, 7/6/2010 and 9/23/2010; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; USAID, response to SIGIR data call, 7/8/2010; USDA, response to SIGIR data call, 4/2/2009.

# FUNDING FOR IRAQ RECONSTRUCTION

TABLE 2.4  
ONGOING IRRF PROJECTS  
\$US

IMPLEMENTING AGENCY	CATEGORY	DESCRIPTION	TOTAL COST
USACE	Electric	Jamila, Farabi 132 kV Substation (Baghdad)	52,308,062
	Transportation	RR Computer Based Train Control Acquisition	43,995,071
	Water Resources	Eastern Euphrates Drain (Muthanna)	38,500,000
	Transportation	Al-Mamoon Exchange and Telecom (Baghdad)	32,549,850
	Water Resources	Falluja Sewer System, WWTP Inst. (Anbar)	31,706,958
	Electric	Ramadi 132 kV Substation (Anbar)	31,547,620
	Water Resources	Meshkab Water Supply Project (Najaf)	23,646,442
	Electric	Wazeriya National Training Center	8,370,986
	Transportation	Al-Sharqat Bridge (Salah Al-Din)	7,990,544
	Transportation	Al-Amarah Al Maymunah Cargoway (Missan)	7,750,178
	Water Resources	Falluja Sewer Collect Area B Reaward (Anbar)	6,809,712
	Transportation	Baghdad-Kirkuk Cargoway South Segment (Salah Al-Din)	5,761,372
	Water Resources	Falluja Sewer Trunk Mains T0 & T3 Re-Award (Anbar)	5,624,515
	Health	Replace 26 Elevators and Repair 7 in Central and Southern Iraq	2,983,000
	Health	Replace 13 Elevators and Repair 11 in Northern Iraq	1,983,624
	Electric	Yousefiya 33/11 kV Substation (Baghdad)	500,000
	Water Resources	Mosul Dam Technical Support (Ninewa)	219,497
	<b>Subtotal</b>		<b>302,247,432</b>
ISPO	Electric	Technical Assistance to the Iraqi Ministry of Electricity	8,000,000
	Education/Refugee/Democracy	Iraqi Constitutional and Legislative Development Project	7,933,936
	Education/Refugee/Democracy	PFMAG—Subject Matter Experts*	3,000,000
	Private Sector Development	Organization for Economic Corporation and Development	2,500,000
	Electric	Professional Services to the Iraqi Ministry of Electricity	2,071,000
	Electric	Regulatory Consulting Services*	1,974,296
	Education/Refugee/Democracy	Budget Execution Embassy Linguist Task*	1,528,000
	Private Sector Development	Enhance Iraqi Investment Policies	500,000
	<b>Subtotal</b>		<b>27,507,232</b>
<b>Total</b>			<b>329,754,664</b>

Note: Data not audited. Numbers affected by rounding.

\* Contract complete; awaiting resolution of close-out issues.

Source: U.S. Embassy-Baghdad, ISPO, response to SIGIR data call, 10/4/2010.

## Iraq Security Forces Fund

Since 2005, the Congress has appropriated \$19.04 billion to the ISFF to support Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI) in developing the Iraqi Security Forces (ISF) and increasing ministerial capacity.<sup>72</sup> This quarter, the Congress appropriated \$1.00 billion in FY 2010 supplemental appropriations to the ISFF.<sup>73</sup> The Congress is currently considering the Administration's request for \$2.00 billion in ISFF funding for FY 2011.<sup>74</sup>

As of September 30, 2010, \$1.18 billion of obligated ISFF funds had not been expended. An additional \$1.38 billion had not been obligated, but \$444 million of this amount has expired. This leaves \$940 million in FY 2010 supplemental funding, appropriated by P.L. 111-212, available for obligation to new projects. Funds appropriated to the ISFF by P.L. 111-212 expire on September 30, 2011, after which time they cannot be obligated to new projects.<sup>75</sup>

For the status of the ISFF, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.4.

## ISFF Quarterly Obligations and Expenditures

As of September 30, 2010, \$18.13 billion (95%) of the \$19.04 billion appropriated to the ISFF had been allocated to four major sub-activity groups: Equipment, Infrastructure, Sustainment, and Training. The remaining \$908 million (5%) of the ISFF has been allocated to smaller sub-activity groups. Collectively termed "Related Activities," they include the ISFF Quick Response Fund and construction of detention centers and rule-of-law complexes, among other programs.<sup>76</sup>

For the status and quarterly change of the ISFF, by ministry and sub-activity group, as of September 30, 2010, see Table 2.5.

This quarter, USF-I obligated \$564.1 million of the ISFF,<sup>77</sup> more than 11 times the amount obligated last quarter.<sup>78</sup> The new obligations were concentrated in MOD equipment, sustainment, and training, as well as MOI equipment.<sup>79</sup>

This quarter, USF-I expended \$467.4 million of the ISFF.<sup>80</sup> Only two other quarters saw lower ISFF expenditures: last quarter and the first quarter the ISFF was available.<sup>81</sup> The new expenditures were concentrated in MOD sustainment and equipment, as well as MOI equipment.<sup>82</sup>

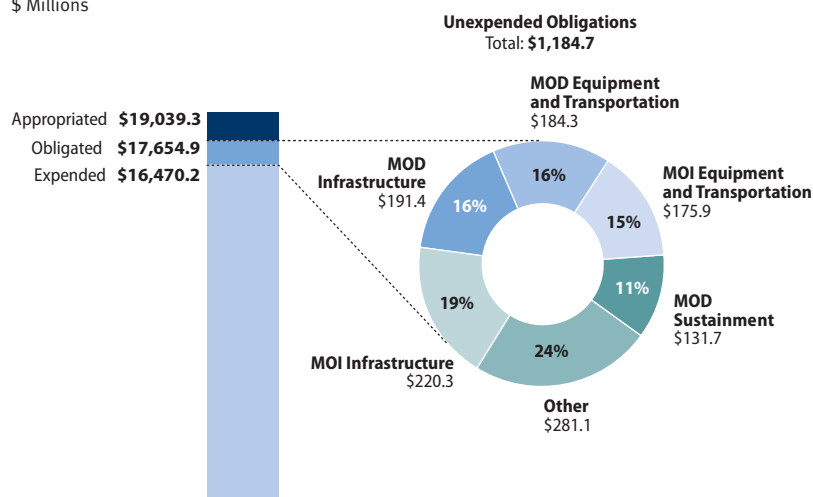
## Future Funding Sources for the Iraqi Security Forces

In February 2010, the Administration requested \$1.00 billion in FY 2010 supplemental appropriations and \$2.00 billion in FY 2011 regular appropriations for the ISFF.<sup>83</sup> With the passage of P.L. 111-212 in July, the Congress provided the full amount requested for FY 2010 supplemental funding.<sup>84</sup> If the Congress appropriates the full amount requested for FY 2011, the ISFF will have received \$21.04 billion in total appropriations, and it will eclipse the IRRF (\$20.86 billion) as the largest U.S. reconstruction fund for Iraq.<sup>85</sup>

According to the Administration, "This funding is critical to keep [the ISF] on track to effectively defend the Iraqi people and protect Iraqi institutions by the end of 2011."<sup>86</sup> It is unclear what the

If the Congress appropriates the full amount requested for FY 2011, the ISFF will eclipse the IRRF as the largest U.S. reconstruction fund for Iraq.

FIGURE 2.4  
ISFF: STATUS OF FUNDS  
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-13; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; OSD, response to SIGIR data call, 10/14/2010.

TABLE 2.5  
ISFF: STATUS OF FUNDS, BY MINISTRY AND SUB-ACTIVITY GROUP  
\$ Millions

MINISTRY	SUB-ACTIVITY GROUP	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Defense	Equipment	4,743.4	4,559.1	121.7 (3%)	86.6 (2%)
	Infrastructure	3,075.8	2,884.5	0.4 (0%)	45.5 (2%)
	Sustainment	2,022.1	1,890.3	139.2 (7%)	115.0 (6%)
	Training	561.0	472.1	94.8 (20%)	49.1 (12%)
	<b>Subtotal</b>	<b>10,402.3</b>	<b>9,806.0</b>	<b>356.0 (4%)</b>	<b>296.3 (3%)</b>
Interior	Training	2,468.6	2,397.7	19.4 (1%)	10.2 (0%)
	Equipment	1,886.7	1,710.8	133.0 (8%)	117.9 (7%)
	Infrastructure	1,400.3	1,180.0	25.4 (2%)	16.0 (1%)
	Sustainment	623.2	559.8	28.0 (5%)	5.6 (1%)
	<b>Subtotal</b>	<b>6,378.8</b>	<b>5,848.3</b>	<b>205.9 (3%)</b>	<b>149.7 (3%)</b>
Varies	Related Activities	873.8	815.9	2.2 (0%)	21.4 (3%)
<b>Total</b>		<b>17,654.9</b>	<b>16,470.2</b>	<b>564.1 (3%)</b>	<b>467.4 (3%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.

withdrawal of the U.S. military from Iraq—scheduled to be completed by December 31, 2011—portends for the ISF, and what future sources of funding might be available.

## Future U.S. Support from Civilian Funding Streams

This quarter, the Congress appropriated \$650 million to the INCLE in Iraq to support the police training program administered by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL), as discussed below in the INCLE subsection. The Administration has requested an additional \$315 million in FY 2011 appropriations for the INCLE in Iraq.<sup>87</sup>

Two other established funds may be well suited for post-ISFF funding support of MOD forces: the Foreign Military Financing (FMF) fund and the International Military Education and Training (IMET) fund. As reported previously by SIGIR,<sup>88</sup> the FMF could be used to support the ISF through the U.S. Foreign Military Sales (FMS) program. Meanwhile, the IMET (and FMF) could be used to fund training. As of September 30, 2010, no money

had been appropriated for FMF in Iraq, and \$6 million had been appropriated for the IMET in Iraq.<sup>89</sup>

Supporting the ISF through Department of State (DoS) funds—including the INCLE, FMF, and IMET—would put DoS in charge of policy, which is consonant with how the United States has historically provided security assistance to other nations and with stated U.S. objectives for Iraq. However, as the Inspector General noted in recent testimony before the House Committee on Oversight and Government Reform, DoS and other civilian agencies face a capacity gap. Weak program management and inadequate oversight of contracts and grants have undermined program objectives and wasted taxpayer dollars.<sup>90</sup> The scale of the security assistance effort in Iraq that DoS is inheriting magnifies the challenge. DoS is relatively new to large-scale program, contract, and grant management, and it takes time to nurture an organizational culture that respects the need for planning and to develop a workforce with appropriate skills.<sup>91</sup>

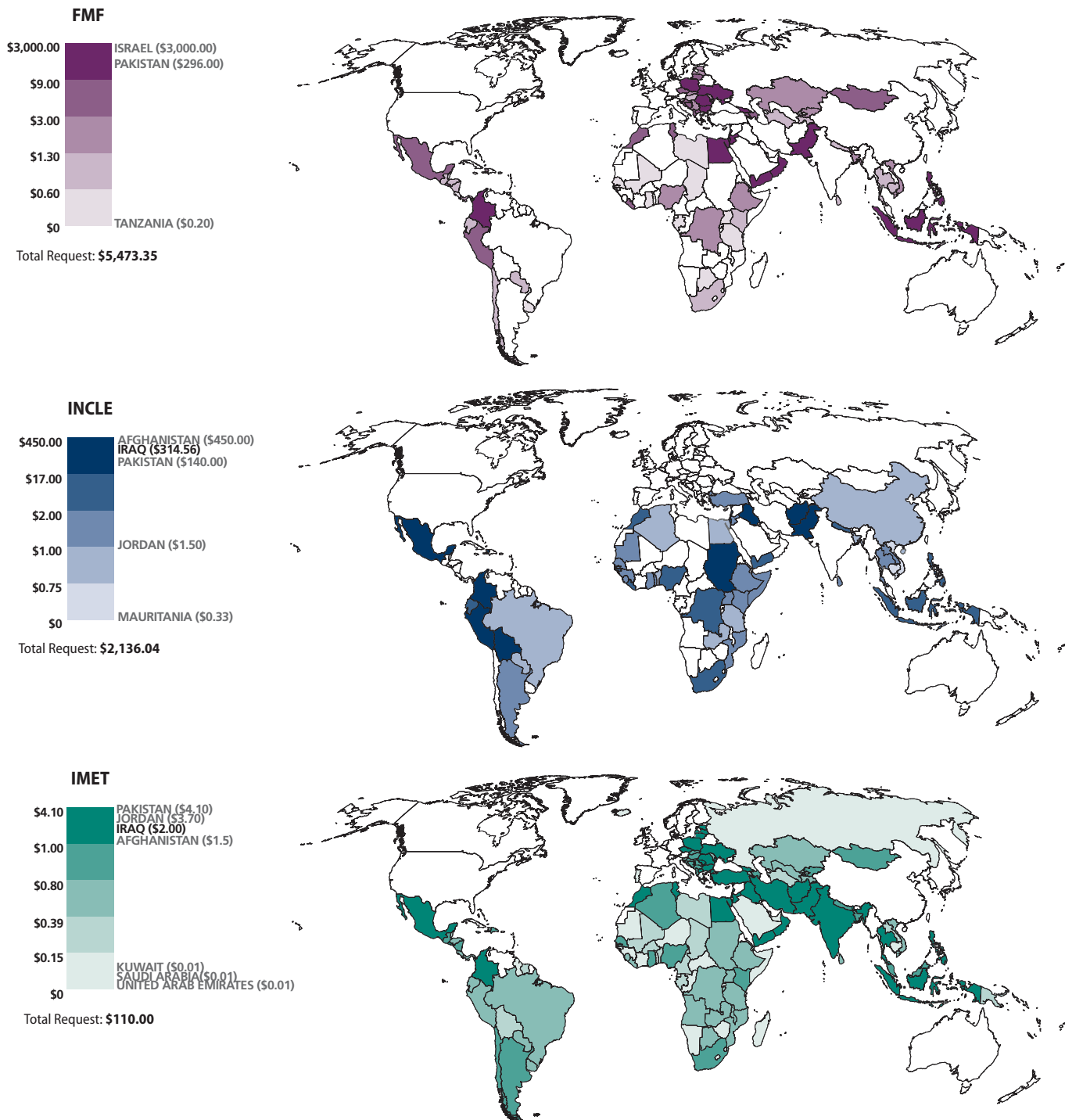
If fully funded, the Administration's request for FY 2011 appropriations would make the INCLE program in Iraq the second largest in the world,

Weak program management and inadequate oversight of contracts and grants have undermined program objectives and wasted taxpayer dollars.

FIGURE 2.5

# SECURITY-RELATED CIVILIAN FUNDING STREAMS: ADMINISTRATION REQUESTS FOR FY 2011 APPROPRIATIONS

\$ Millions, by Quintile



**Notes:** Data not audited. Numbers affected by rounding. Maps and quintile/percentile charts display only bilateral assistance. Only countries that received assistance from the specific fund are included in the relevant quintile/percentile calculations. The maps and quintile/percentile graphics do not include the following regional/multilateral assistance: Africa Regional (\$4.50 million INCLE and \$2.80 million FMF); East Asia and Pacific Regional (\$1.30 million INCLE and \$850,000 IMET); Trans-Sahara Counter-Terrorism Partnership (\$1.03 million INCLE); Caribbean Basin Security Initiative (\$37.46 million INCLE and \$18.16 million FMF); or Western Hemisphere Regional (\$70.0 million INCLE). The maps and quintile/percentile graphics also do not include assistance used to fund DoS Bureaus: Office to Monitor and Combat Trafficking in Persons (G/TIP) (\$187.46 million INCLE); INL (\$187.46 million INCLE); or Political-Military Affairs (PM) (\$5.41 million IMET and \$56.58 million FMF).

**Source:** DoS, "Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011," 3/8/2010, pp. 21–26.



behind Afghanistan. It would also put the IMET program in Iraq among the top 10% of such programs in the world.<sup>92</sup> The Administration has not requested FY 2011 FMF appropriations for Iraq. However, if Iraq were to be appropriated \$1 billion in FMF (half the amount of the FY 2011 ISFF request), only Israel and Egypt would be expected to receive more.<sup>93</sup> For more details on staffing and contracting issues, see Section 3 of this Report. For details on the Administration's worldwide FY 2011 requests for FMF, INCLE, and IMET, see Figure 2.5.

## Increased Iraqi Support for the ISF

According to analysis by the U.S. Government Accountability Office (GAO), from 2005 to 2009, Iraq increased MOD spending by 28% annually and MOI spending by 45% annually, on average. Spending reached an all-time high in 2009, with \$8.6 billion spent: \$3.7 billion for the MOD and \$5.0 billion for the MOI.<sup>94</sup> From 2005 to 2009, budget execution fluctuated, but both the MOD and MOI were able to execute more than 90% of their budgets in 2009.<sup>95</sup> For 2010, the Government of Iraq (GOI) budgeted \$5.19 billion for the MOD (\$3.39 billion for operating expenses and \$1.80 billion for capital investment) and \$5.90 billion for the MOI (\$4.96 billion for operating expenses and \$934 million for capital investment).<sup>96</sup>

Despite increased spending and improved budget execution since 2005, the GAO estimates that the MOD and MOI did not spend or set aside between \$2.5 billion and \$5.2 billion that could have been applied to Iraq's security needs.<sup>97</sup> In light of these resources, the GAO concluded that Iraq has the potential to further contribute toward its security needs, even as it addresses other competing priorities.<sup>98</sup>

Both DoS and DoD disagreed with GAO's conclusions. According to their analysis, the GOI's 2010 budget for the MOD and MOI accounts for almost 14% of the Iraqi gross domestic product (GDP). DoS and DoD felt that this clearly indicated the seriousness with which the GOI treats its responsibility to cover its costs for internal and external security.<sup>99</sup>

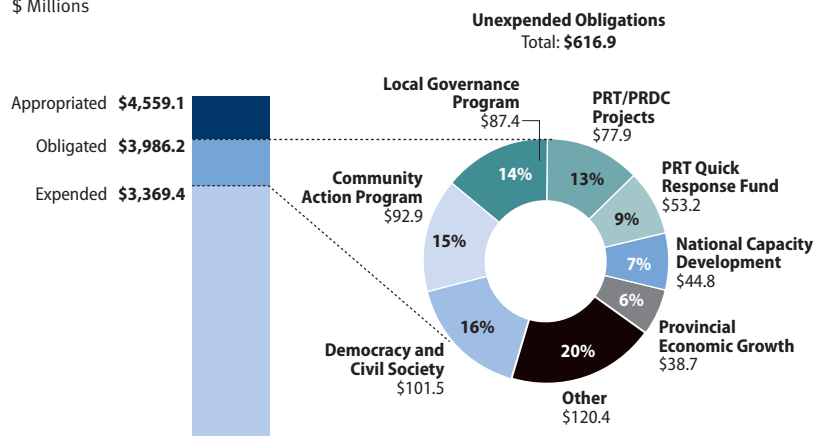
## Economic Support Fund

Since 2003, the Congress has appropriated \$4.56 billion to the ESF to improve infrastructure and community security, promote democracy and civil society, and support capacity building and economic development.<sup>100</sup> The Congress is currently considering the Administration's request for an additional \$383 million in ESF funding for FY 2011.<sup>101</sup>

As of September 30, 2010, \$617 million of obligated ESF funds had not been expended. An additional \$573 million had not been obligated, but \$317 million of this amount has expired. This leaves \$256 million, appropriated by P.L. 111-117, available for obligation to new projects. Funds appropriated to the ESF by P.L. 111-117 expire on September 30, 2011, after which time they cannot be obligated to new projects.<sup>102</sup>

For the status of the ESF, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.6.

FIGURE 2.6  
**ESF: STATUS OF FUNDS**  
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010.



TABLE 2.6

**ESF: STATUS OF FUNDS, BY TRACK AND PROGRAM**

\$ Millions

TRACK	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Security	Community Stabilization Program	619.3	608.6		-10.3 (-2%)
	PRT/PRDC Projects	564.1	486.2	15.6 (3%)	18.1 (4%)
	Local Governance Program	435.5	348.1	25.0 (6%)	3.8 (1%)
	Community Action Program	384.3	291.4	55.0 (17%)	26.2 (10%)
	PRT Quick Response Fund	238.4	185.2	29.4 (14%)	12.5 (7%)
	Infrastructure Security Protection	194.7	186.7	7.1 (4%)	2.8 (2%)
	<b>Subtotal</b>	<b>2,436.3</b>	<b>2,106.2</b>	<b>132.1 (6%)</b>	<b>53.0 (3%)</b>
Political	National Capacity Development	309.4	264.6		14.2 (6%)
	Democracy and Civil Society	279.8	178.3	41.8 (18%)	-0.5 (0%)
	Iraqi Refugees	95.0	90.6		
	Economic Governance II, Policy and Regulatory Reforms	85.0	83.9		-1.1 (-1%)
	Ministerial Capacity Development	37.7	34.5	-3.3 (-8%)	4.5 (15%)
	Regime Crimes Liaison Office	28.5	28.0		
	Elections Support	13.9	13.8		
	Monitoring and Evaluation	8.5	3.8	1.0 (14%)	0.6 (18%)
	<b>Subtotal</b>	<b>857.9</b>	<b>697.5</b>	<b>39.6 (5%)</b>	<b>17.7 (3%)</b>
Economic	O&M Sustainment	274.5	273.4	6.9 (3%)	6.8 (3%)
	<i>Inma</i> Agribusiness Development	144.8	108.6	20.8 (17%)	-6.7 (-6%)
	Provincial Economic Growth	97.8	59.1	12.0 (14%)	3.0 (5%)
	Targeted Development Program	60.4	43.2	3.0 (5%)	6.4 (17%)
	Plant-Level Capacity Development & Technical Training	50.1	50.1		2.2 (5%)
	<i>Izdihar</i>	32.8	31.4		
	Financial Sector Development	31.6	0.0	31.6	
	<b>Subtotal</b>	<b>692.0</b>	<b>565.7</b>	<b>74.3 (12%)</b>	<b>11.5 (2%)</b>
<b>Total</b>		<b>3,986.2</b>	<b>3,369.4</b>	<b>245.9 (7%)</b>	<b>82.3 (3%)</b>

**Note:** Data not audited. Numbers affected by rounding. The program formerly known as "USAID Program Expenses" has been reclassified as "Monitoring and Evaluation."

**Sources:** P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010.

### ESF Quarterly Obligations and Expenditures

The ESF has been allocated to programs in three tracks: Security, Political, and Economic. The majority of ESF allocations have been made to the Security track each year.<sup>103</sup>

For the status and quarterly change of the ESF, by track and program, as of September 30, 2010, see Table 2.6.

This quarter, there were \$245.9 million in net obligations from the ESF. Most of the new obligations—\$132.1 million—were made for programs in the Security Track, including \$55.0 million for the Community Action Program (CAP), \$29.4 million for the PRT Quick Response Fund, and \$25.0 million for the Local Governance Program. There were \$39.6 million in net obligations in the Political Track and \$74.3 million in new obligations to the Economic Track.<sup>104</sup>

This quarter, there were \$82.3 million in net expenditures from the ESF. Most of the new expenditures—\$53.0 million—were made for programs in the Security Track, including \$26.2 million for the CAP. There were \$17.7 million in net expenditures in the Political Track and \$11.5 million in net expenditures in the Economic Track.<sup>105</sup>

## Policy Guidance and Project Management

More than \$4.45 billion (98%) of the ESF in Iraq has been allocated to DoS or the U.S. Agency for International Development (USAID). Of the amount allocated to DoS, more than half was sub-obligated to the U.S. Army Corps of Engineers (USACE). Within DoS, the largest user of ESF funds is the Bureau of Democracy, Human Rights, and Labor (DRL).<sup>106</sup> For an overview of ESF, by agency, see Figure 2.7.

DoS provides policy guidance for all ESF programs, including those implemented by USACE and by other civilian agencies.<sup>107</sup> However, U.S. Embassy-Baghdad does not have one overarching process for the use of ESF funds. Instead, Embassy sections using ESF funds employ their own project-selection criteria and manage the projects that they approve.<sup>108</sup> An overview of project management practices for major implementers of ESF follows.

### United States Agency for International Development

In Iraq, USAID has used the ESF to fund projects related to democratic governance, economic growth, agricultural development, and other sectors.<sup>109</sup> Among the largest ongoing USAID projects is the CAP, which is intended to work at the grassroots level to foster citizen involvement and give communities the opportunity to mobilize skills and resources to meet local development needs.<sup>110</sup> Since 2003, USAID has allocated more than \$676 million to the CAP.<sup>111</sup> The third phase of the CAP (CAP III) began in October 2008, and is scheduled to close on September 30, 2012.<sup>112</sup>

Program management practices for the CAP are representative of other large USAID projects,

which rely heavily on implementing partners to administer sub-projects or sub-grants and provide basic oversight.<sup>113</sup> USAID has four main implementing partners for CAP III: Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance, Cooperative Housing Foundation International (CHF), Mercy Corps, and International Relief and Development. According to U.S. Embassy-Baghdad, these partners facilitate the creation and training of community action groups (CAGs) responsible for identifying and prioritizing community needs, mobilizing resources, and monitoring project implementation. USAID's implementing partners then work with the CAGs to determine project feasibility and develop scopes of work. When projects are selected, they seek endorsement from the local government, try to obtain matching funds, and solicit bids.<sup>114</sup>

According to U.S. Embassy-Baghdad, transparency is ensured through a selection committee that scores projects against established selection criteria. Additionally, the CAP has an overall monitoring and evaluation plan, with targets and indicators against which the implementing partner reports.<sup>115</sup>

SIGIR is currently reviewing CHF International's implementation of CAP III, including performance results and costs incurred. The contractor received \$57.36 million for activities in Anbar and south-central Iraq. SIGIR expects to issue the audit report in early 2011.

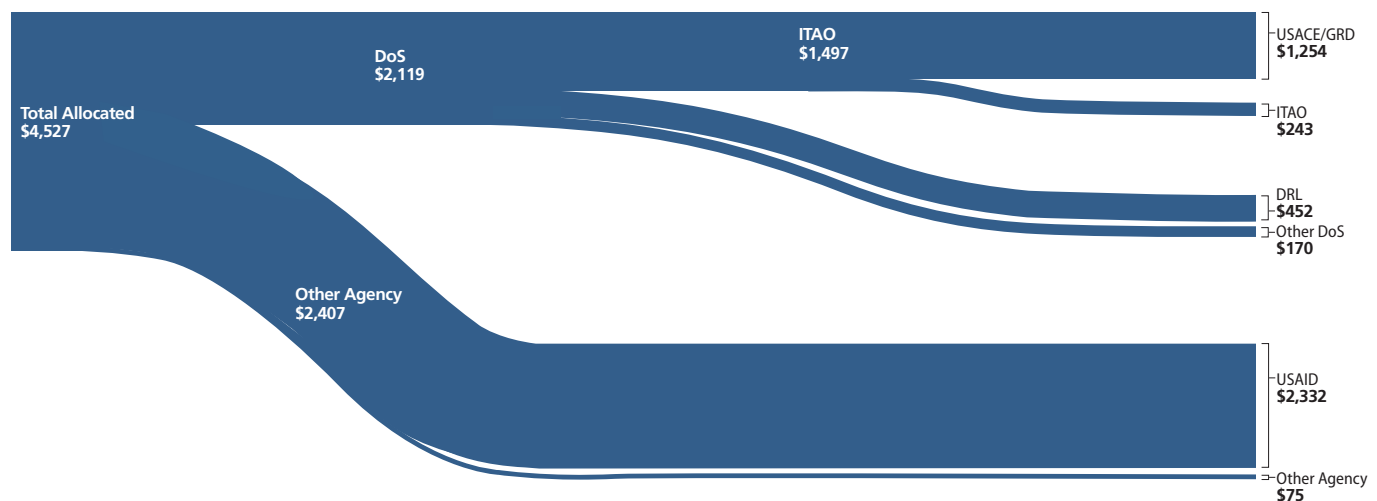
### United States Army Corps of Engineers

In FY 2006 and FY 2007, the Iraq Transition Assistance Office—which has since become ISPO—provided more than \$1.25 billion to USACE through an interagency agreement.<sup>116</sup> This money was used to support four programs: Infrastructure Security Protection; O&M Sustainment; Plant-Level Capacity Development & Technical Training; and PRT/PRDC Projects. As of September 30, 2010, \$1.08 billion (92%) of the money allocated for USACE projects had been obligated and \$996 million (85%) had been expended.<sup>117</sup>

DoS provides policy guidance for all ESF programs. However, U.S. Embassy-Baghdad does not have one overarching process for the use of ESF funds.

FIGURE 2.7  
**ESF ALLOCATIONS, BY AGENCY, FY 2006–FY 2010**  
 \$ Millions

AGENCY	OFFICE	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	TOTAL
Department of State (DoS)	USACE/GRD (through ITAO) <sup>a</sup>	869	385	0	0	0	1,254
	DRL	85	205	0	71	90	452
	ITAO	45	93	48	29	28	243
	DoS	42	0	20	5	0	67
	PRM	50	0	0	0	0	50
	CLA	0	0	0	19	0	19
	NEA/MEPI	0	0	10	0	0	10
	Baghdad/ACCO	0	0	0	4	6	10
	OPA	0	0	0	5	0	5
	S/GWI	0	0	0	5	0	5
	ECA	0	0	0	2	0	2
	INR	0	2	0	0	0	2
	<b>Subtotal</b>	<b>1,091</b>	<b>685</b>	<b>78</b>	<b>140</b>	<b>124</b>	<b>2,119</b>
Other Agency	U.S. Agency for International Development (USAID)	434	1,110	384	404	0	2,332
	Department of Justice	33	0	0	0	0	33
	Department of Treasury	13	0	0	0	6	19
	Department of Commerce	0	3	0	5	5	13
	Department of Agriculture	0	2	0	8	0	10
	<b>Subtotal</b>	<b>480</b>	<b>1,115</b>	<b>384</b>	<b>417</b>	<b>11</b>	<b>2,407</b>
<b>Total</b>		<b>1,571</b>	<b>1,800</b>	<b>462</b>	<b>557</b>	<b>135</b>	<b>4,527</b>



**Note:** Numbers affected by rounding. Audited allocations, shown here, are current as of 3/31/2010 and differ slightly from the the agency-reported values referenced in the ESF status of funds update. Since SIGIR issued the audit from which this data is drawn, ISPO has replaced ITAO.

<sup>a</sup>ESF allocated to USACE/GRD was sub-obligated from ITAO.

**Source:** SIGIR 10-018, "Most Iraq Economic Support Funds Have Been Obligated and Liquidated," 7/21/2010, pp. 12–13.

According to U.S. Embassy-Baghdad, these projects are managed in a manner consistent with established USACE project management policies and guidelines. A small ISPO project-monitoring staff oversees the USACE efforts and provides liaison with relevant GOI agencies and PRTs. ISPO oversight activities include monitoring USACE's regular reports, dialogue on project issues and remedial assistance, overall financial management, and periodic site visits (if permitted by security conditions).<sup>118</sup>

## Bureau of Democracy, Human Rights, and Labor

DRL does not have dedicated grant officers. Instead, it relies on grant officers employed by the DoS Bureau of Administration's Office of Acquisition Management (AQM), to award and amend its grants.<sup>119</sup> The grant officer appoints a grant officer representative (GOR), who is a DRL employee responsible for ensuring that the grantee is making adequate progress in achieving the project goals and objectives and that the funds are being used responsibly.<sup>120</sup>

According to U.S. Embassy-Baghdad, grantees are required to submit quarterly narrative reports that outline program activities, outputs, and outcomes in line with their monitoring-and-evaluation plan. GORs review each narrative report quarterly, and DRL conducts a formal GOR review with senior DRL management at least twice a year to assess each grant.<sup>121</sup> However, SIGIR audits of DRL's management of grants to the International Republican Institute (IRI) and the National Democratic Institute (NDI) found that DRL's oversight of the impact of these grants has been limited:

- In January, SIGIR found that grantee security costs were significant, and DRL did not have documentation on whether IRI's grant was meeting its goals and whether the grant money was being used in the most effective and efficient manner.<sup>122</sup>
- In July, SIGIR found that weaknesses in DoS oversight and IRI compliance with grant requirements left DoS vulnerable to paying

excessive charges and having insufficient information on exactly what was achieved.<sup>123</sup>

- This quarter, SIGIR found that NDI appeared to have charged more than allowed for security contract administration, which reduced the amount of funds available for direct program activities.<sup>124</sup>

DoS officials stated that, in response to SIGIR's audits, grants officers will take a more active role in overseeing awards in the future and that they have recently received authority to hire additional staff. DRL stated that it continues to take steps to improve monitoring and evaluation.<sup>125</sup>

## Commander's Emergency Response Program

Since 2004, the Congress has provided approximately \$3.79 billion in CERP funding for the purpose of enabling military commanders in Iraq to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility.<sup>126</sup> The Congress is currently considering the Administration's request for an additional \$200 million in CERP funding for FY 2011.<sup>127</sup>

The DoD Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) was unable to provide the top-line obligation and expenditure data for the FY 2010 CERP appropriation. Consequently, SIGIR is unable to provide a precise accounting of the current status of CERP funds.<sup>128</sup>

As of September 30, 2010, at least \$3.60 billion had been obligated, and at least \$3.51 billion had been expended. Approximately \$89 million of obligated CERP funds had not been expended. Approximately \$187 million in additional funding had not been obligated, but this entire amount has expired.<sup>129</sup>

## CERP Quarterly Obligations and Expenditures

In this Report, as in the past, SIGIR is unable to provide a full project-level accounting of the

SIGIR is unable to provide a precise accounting of the current status of CERP funds.

CERP with data provided by the OUSD(C). This is because OUSD(C) does not report quarterly obligations and expenditures, by project or project category, for prior fiscal year CERP appropriations. Rather, it reports obligations and expenditures only for the current fiscal year's appropriation.

In past quarters, SIGIR used the Iraq Reconstruction Management System (IRMS) to obtain the cumulative CERP data that OUSD(C) does not supply. This quarter, there were numerous apparent flaws in the CERP data available from the IRMS. For example, quarterly CERP data from the IRMS showed a doubling of CERP obligations in the Education project category, but no CERP expenditures in any project category.<sup>130</sup> Consequently, SIGIR cannot provide a reasonably accurate project-level accounting of the CERP.

The IRMS was shut down on September 1, 2010, and can no longer serve as a substitute source of CERP data. OUSD(C) has not yet identified a viable alternative source of project-level CERP data.

The data on completed and ongoing electricity projects in the Public Services subsection of this Report provides an example of the problems created by this gap in reporting. Using project-level data provided by OUSD(C), SIGIR was able to determine that 29 electricity projects funded with FY 2010 CERP appropriations, with a combined value of \$11.9 million, were underway at the beginning of this quarter.<sup>131</sup> However, SIGIR was unable to determine the status of projects funded with prior-year appropriations. For example, in January 2010, OUSD(C) reported that there were 86 ongoing CERP electricity projects, funded with FY 2009 appropriations and having a combined value of almost \$20.7 million, that were ongoing as of October 1, 2009.<sup>132</sup> Because the current OUSD(C) reports do not provide project-level data for prior-year appropriations, SIGIR cannot determine if any of these projects are still ongoing, when other projects were completed, or what their final costs were.

The final data available from the IRMS, as of its September 1, 2010, shutdown, shows one CERP electricity project using FY 2008 funding and six

projects using FY 2009 funding ongoing. According to the IRMS, these projects had a combined value of \$1.5 million. However, the reliability of this data is uncertain because the IRMS also shows that 12 projects using about \$4 million in FY 2010 CERP funds were ongoing—compared with the 29 projects collectively valued at \$11.9 million that were listed in the most recent CERP report provided by OUSD(C).<sup>133</sup>

SIGIR continues to work with OUSD(C) to try to resolve these issues.

### **CERP Reforms: Progress Made, but Problems with Project Documentation and Tracking Remain**

In July 2010, DoD reported to the Congress on the results of its congressionally mandated review of the CERP.<sup>134</sup> DoD concluded that its management of the CERP had been satisfactory, but that there was significant room for improvement. The key areas where DoD has made adjustments or said it would make further reforms include:

- improving DoD's assessment of requirements and the CERP budget justification process
- clarifying policy on the appropriate use of CERP funds, including the balance between infrastructure projects and smaller-scale humanitarian assistance projects, given the substantial differences between Iraq and Afghanistan
- providing holistic, integrated oversight and management of the CERP while maintaining its essential flexibility
- ensuring adequate numbers of appropriately trained personnel are provided to manage and execute the CERP, particularly in Afghanistan given the increasing CERP requirements
- enhancing coordination with host nation governments, U.S. government agencies, and other partners to ensure that CERP projects are appropriately designed and implemented and meet key criteria, such as sustainability

In a recent report, SIGIR acknowledged the significant improvements in DoD's planning and

SIGIR cannot determine if any of these projects are still ongoing, when other projects were completed, or what their final costs were.

management of CERP projects.<sup>135</sup> Particularly noteworthy are guidance improvements and recent changes to address the shortages of personnel who are trained as contracting officer's representatives.

Although these actions address some of SIGIR's concerns about project oversight, gaps remain with regard to planning. For example, CERP guidance does not explicitly require project implementation plans. Although this may be appropriate for small-scale CERP projects, a project implementation plan is necessary for large-scale efforts with multiple, integrated projects—such as the Baghdad International Airport project. SIGIR also identified recurring problems with project documentation and incomplete project tracking data in many of its audit reports.<sup>136</sup>

SIGIR is currently reviewing the CERP fund and will report its findings in January 2011.

## International Narcotics Control and Law Enforcement

Since 2006, the Congress has appropriated \$1.07 billion to the INCLE in Iraq to support rule-of-law activities.<sup>137</sup> The Congress is currently considering the Administration's request for an additional \$315 million in INCLE funding for FY 2011.<sup>138</sup>

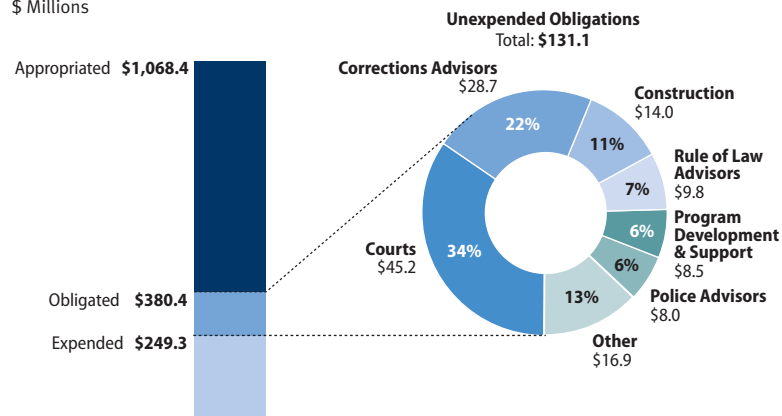
As of September 30, 2010, \$131 million of obligated INCLE funds had not been expended. An additional \$688 million, appropriated by P.L. 111-117 (\$38 million) and P.L. 111-212 (\$650 million), remains available for obligation to new projects. Funds appropriated to the INCLE by P.L. 111-117 expire on September 30, 2011, after which time they cannot be obligated to new projects.<sup>139</sup>

For the status of the INCLE, including a breakdown of unexpended obligations, as of September 30, 2010, see Figure 2.8.

### INCLE Quarterly Obligations and Expenditures

The INCLE has been allocated to 11 programs in four sectors: criminal justice, corrections,

**FIGURE 2.8**  
**INCLE: STATUS OF FUNDS**  
\$ Millions



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; INL, response to SIGIR data call, 9/30/2010.

counternarcotics, and other (which includes funding for program development and support). The majority of INCLE obligations to date have been made to programs in the criminal justice sector.<sup>140</sup>

For the status and quarterly change of the INCLE, by program, as of September 30, 2010, see Table 2.7.

This quarter, INL obligated \$28.2 million of the INCLE. Most new obligations were made in the criminal justice sector, including \$12.6 million in new obligations to support Iraqi courts. Another \$5.6 million was obligated for police advisors, more than doubling total obligations to date for that program.<sup>141</sup>

This quarter, INL expended \$21.1 million of the INCLE. As with obligations, most new expenditures were made in the criminal justice sector, although new expenditures were more distributed among the programs.<sup>142</sup>

### The Increasing Significance of INCLE in Iraq

Appropriations to the INCLE in Iraq did not begin until FY 2006 and were then modest compared with appropriations made to the ISFF, CERP, and ESF.<sup>143</sup> In February 2010, the Administration



TABLE 2.7  
**INCLE: STATUS OF FUNDS, BY SECTOR AND PROGRAM**  
 \$ Millions

SECTOR	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
Criminal Justice	Courts	101.5	56.3	12.6 (14%)	7.1 (14%)
	Public Integrity	29.7	22.2		1.7 (8%)
	Rule of Law Advisors	22.1	12.3	0.3 (1%)	1.8 (17%)
	Major Crimes Task Force	13.1	5.4	-0.4 (-3%)	1.4 (36%)
	Police Advisors	8.9	0.9	5.6 (168%)	0.2 (27%)
	Justice Integration	6.8	5.0		0.2 (4%)
	Legal Framework	2.5	2.5		0.2 (8%)
	<b>Subtotal</b>	<b>184.5</b>	<b>104.7</b>	<b>18.1 (11%)</b>	<b>12.6 (14%)</b>
Corrections	Advisors	86.5	57.8	6.3 (8%)	3.4 (6%)
	Construction	83.7	69.7		1.2 (2%)
	<b>Subtotal</b>	<b>170.2</b>	<b>127.5</b>	<b>6.3 (4%)</b>	<b>4.6 (4%)</b>
Counternarcotics	Counternarcotics	0.0	0.0		
Other	Program Development & Support	25.6	17.1	3.8 (17%)	4.0 (30%)
<b>Total</b>		<b>380.4</b>	<b>249.3</b>	<b>28.2 (8%)</b>	<b>21.1 (9%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: INL, responses to SIGIR data calls, 7/2/2010 and 9/30/2010.

The request was almost double the cumulative amount appropriated to the fund from FY 2003 through the regular FY 2010 appropriation.

requested \$832 million in FY 2010 supplemental and FY 2011 regular appropriations for the INCLE in Iraq to prepare for the transition of police training responsibility from DoD to DoS.<sup>144</sup> The request was almost double the cumulative amount appropriated to the fund from FY 2003 through the regular FY 2010 appropriation.<sup>145</sup>

This quarter, the Congress appropriated \$650 million in FY 2010 supplemental funding for the INCLE—\$133 million more than the Administration requested in February.<sup>146</sup> If Congress appropriates the Administration's full request for FY 2011 regular appropriations, the INCLE will be the fifth largest fund in overall appropriations for the relief and reconstruction of Iraq, totaling \$1.38 billion.<sup>147</sup>

### Use of the INCLE in Iraq

The Administration's proposed uses of the INCLE in Iraq have shifted since FY 2006. Early requests for funding focused on corrections,<sup>148</sup> before shifting to judicial capacity building and security

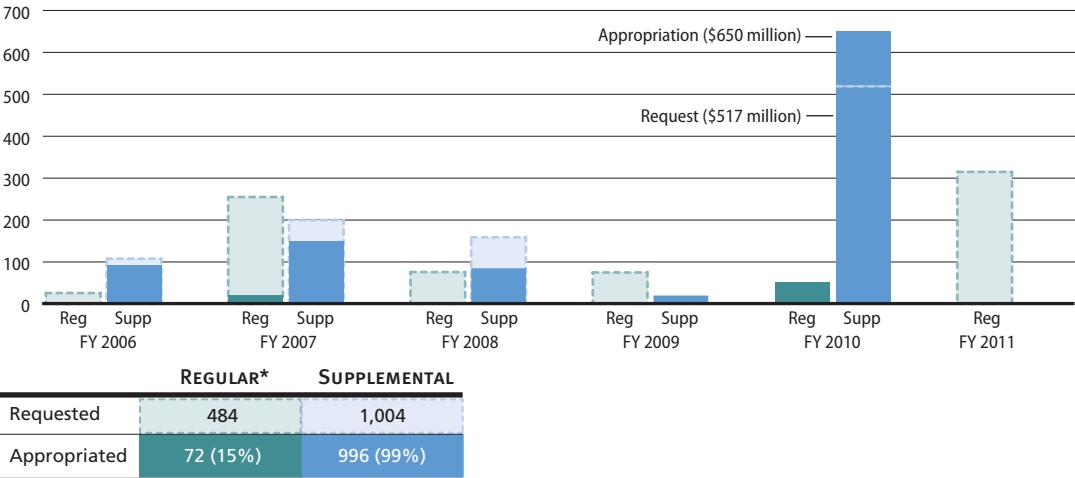
and advanced technical assistance.<sup>149</sup> Requests to support the transition of police training responsibility to DoS began with the FY 2009 supplemental appropriation, and increased in FY 2010–2011.<sup>150</sup>

In past fiscal years, the Congress has generally not supported the Administration's full request for INCLE funding through regular appropriations. In at least one instance (FY 2008), the House Appropriations Committee noted that it was not recommending appropriations to the INCLE through the regular appropriation because funding had been provided through the previous year's supplemental appropriation.<sup>151</sup> After FY 2006, the Congress restricted DoS from using INCLE funding for new prison construction.<sup>152</sup>

For a history of INCLE requests, justifications, appropriations, and earmarks for Iraq, see Figure 2.9 and Table 2.8.



FIGURE 2.9  
INCLE: REGULAR AND SUPPLEMENTAL APPROPRIATIONS, FY 2006–FY 2011  
\$ Millions



\* A request for an additional \$315 million in FY 2011 regular appropriations is still under consideration.

**Note:** Data not audited. Numbers affected by rounding.

**Sources:** See Table 2.8.

Smaller Funds

The Congress has appropriated or otherwise made available nearly \$7.49 billion in smaller funding streams for Iraq reconstruction. SIGIR has classified them into three categories:<sup>153</sup>

- Other Assistance Programs—\$3.95 billion
- Reconstruction-related Operating Expenses—\$3.25 billion
- Reconstruction Oversight—\$295 million

As of September 30, 2010, at least \$4.76 billion (64%) of these funds had been obligated, and at least \$4.37 billion (58%) had been expended.<sup>154</sup> For details on the status of funds, see Table 2.1. ♦

TABLE 2.8

**INCLE: REQUESTS, JUSTIFICATIONS, APPROPRIATIONS, AND EARMARKS**

\$ Millions

FY REQUEST	ADMINISTRATION'S BUDGET JUSTIFICATION	APPROPRIATION	CONGRESSIONAL EARMARKS AND RESTRICTIONS
2006 Regular \$26.47	Provide bilateral technical assistance to the MOI and MOJ; assign up to five senior advisors to advise on police, border enforcement, prosecutors, courts, and prisons; provide advanced and specialized training programs; maintain logistics and transportation support	P.L. 109-102 \$0.00	The conference report provided \$99.70 for "other programs," with the expectation that DoS would give programs in Iraq the highest priority with either FY 2006 INCLE funds or prior year unobligated funds; INL reported no appropriations received.
2006 Supplemental \$107.70	\$100.00 for construction and renovation of correctional facilities; \$7.70 for the protection of Iraqi judges	P.L. 109-234 \$91.40 Expired 9/30/2008	
2007 Regular \$254.60	Strengthen human rights enforcement; promote integration of police, courts and prisons; develop anti-corruption laws; develop legal assistance centers; provide courthouse security enhancements and protection for Iraqi judges; fund corrections advisors and INL administration and oversight costs	P.L. 110-5 \$20.05 Expired 9/30/2009	
2007 Supplemental \$200.00	Promote judicial security by protecting judges, witnesses, court staff, and facilities; train and mentor judges, prosecutors, and judicial investigators; integrate various components of the judicial system; support anticorruption efforts; construct additional jail/prison beds	P.L. 110-28 \$150.00 Expired 9/30/2008	Funds cannot be used for prison construction.
2008 Regular \$75.80	Support programs in development of the criminal justice system, public integrity, justice and rule of law; provide administrative oversight	P.L. 110-161 \$0.00	The House Appropriations Committee recommended no funding for Iraq; no funding was ultimately provided.
2008 Supplemental \$159.00	Expand judicial and court security, judicial capacity, justice integration, and anticorruption assistance to the provinces; continue to expand detention facilities	P.L. 110-252 \$85.00 Expired 9/30/2009	Funds cannot be used for prison construction.
2009 Regular \$75.00	Provide training, advice, and support to the courts/judiciary and Iraqi Corrections Service; maintain administrative oversight	P.L. 111-8 \$0.00	The Senate Appropriations Committee recommended \$25.00; no funding was ultimately provided.
2009 Supplemental \$20.00	\$9.00 for judicial training, security, and court administration; \$5.00 for subject matter experts to work on police transition planning; \$3.00 for rule of law advisors; \$3.00 for program support and oversight	P.L. 111-32 \$20.00 Expired 9/30/2010	Funds are subject to a form of GOI "matching."
2010 Regular \$52.00	Provide training, advising, and support to the courts/judiciary and corrections; address problems of corruption and illegal drugs; engage Iraqi law enforcement development and reform efforts; provide administrative oversight	P.L. 111-117 \$52.00 Expires 9/30/2011	None of the funds made available may be used for new construction.
2010 Supplemental \$517.40	Fund start-up costs for the police program, including base camp and aviation facility upgrades, security infrastructure, and aircraft procurement	P.L. 111-212 \$650.00 Expires 9/30/2012	\$450.00 for one-time start up costs and limited operational costs of the Iraqi police program; \$200.00 for implementation, management, security, communications, and other expenses related to the Iraqi police program.
2011 Regular \$314.56	Hire police advisors and managers, contract personnel, and staff to develop and implement the police program; provide advanced training, capacity building, and standardized procedures for the judiciary; continue the deployment of rule of law advisors	under consideration	

**Note:** Data not audited. Numbers affected by rounding. Total appropriations are reported by INL. In some cases, reported appropriations do not equal the "up to" amount earmarked by the Congress.

**Sources:** DoS, "Congressional Budget Justification: Foreign Operations, FY 2006," 2/15/2005, p. 449; DoS, "Supplemental Budget Justification, FY 2006," 2/16/2006; P.L. 109-234; House Report 109-494, to accompany H.R. 4939, "Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2006, and for Other Purposes," 6/8/2006, p. 36; DoS, "Congressional Budget Justification: Foreign Operations, FY 2007," 2/13/2006; DoS, "Congressional Budget Justification: Foreign Operations, FY 2007," 2/13/2006, p. 460; P.L. 110-5; INL, response to SIGIR data call, 7/2/2010; DoS, "FY 2007 Global War on Terror (GWOT) Supplemental," 2/14/2007, pp. 132-133; P.L. 110-28; Conference Report 110-107, to accompany H.R. 1591, "Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2007, and for Other Purposes," 4/24/2007, p. 206; DoS, "Congressional Budget Justification: Foreign Operations, FY 2008," 2/13/2007, p. 75; House Report 109-265, to accompany H.R. 3057, "Making Appropriations for Foreign Operations, Export Financing, and Related Programs for the Fiscal Year Ending September 30, 2006, and for Other Purposes," 11/2/2005, pp. 97-98; House Report 110-197, to accompany H.R. 2764, "State, Foreign Operations, and Related Programs Appropriations Bill, 2008," 6/18/2007, p. 105; P.L. 110-161; DoS, "FY 2008 Global War on Terror (GWOT) Emergency," 2/13/2007, p. 139; P.L. 110-252; Senate Explanatory Statement to accompany H.R. 2642, "Making Appropriations for Military Construction, the Department of Veterans Affairs, and Related Agencies for the Fiscal Year Ending September 30, 2008, and for Other Purposes," 6/26/2008; DoS, "Congressional Budget Justification: Foreign Operations, FY 2009," 2/2008, pp. 54, 542; Senate Report 110-425, to accompany S. 3288, "Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2009," 7/18/2008, pp. 53-54; P.L. 111-8; DoS and USAID, "FY 2009 Supplemental Justification," 5/13/2009, pp. 40-42; P.L. 111-32; House Report 111-151, to accompany H.R. 2346, "Making Supplemental Appropriations for the Fiscal Year Ending September 30, 2009, and for Other Purposes," 6/12/2009, p. 131; DoS, "Guidelines for Government of Iraq Financial Participation in United States Government-Funded Civilian Foreign Assistance Programs and Projects," 4/9/2009; DoS, "Congressional Budget Justification: Foreign Operations, FY 2010," 5/28/2009, p. 47; P.L. 111-117; Conference Report 111-366, to accompany H.R. 3288, "Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010," 12/8/2009, pp. 1483-1484; DoS and USAID, "Supplemental Budget Justification, FY 2010," 3/2010, pp. 31-32; P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, "Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes," pp. 64-65; DoS, "Congressional Budget Justification: Foreign Operations, FY 2011," 3/10/2010, pp. 471-476.

## IRAQI FUNDING

As of September 30, 2010, Iraq had provided \$85.31 billion for relief and reconstruction through Iraqi funding from the CPA era and its annual capital budgets.<sup>155</sup>

This quarter, SIGIR is reporting a lower value for Iraqi funding than it has in the past, based on an updated methodology for calculating the Iraqi contribution to relief and reconstruction. In past quarters, Iraq's contribution to reconstruction was calculated as the amount of Iraqi funds overseen by the CPA plus the total sum of GOI capital budgets since 2003. According to that formula, \$91.43 billion had been provided for relief and reconstruction from Iraqi sources, as of last quarter.<sup>156</sup>

Based on data provided by the GOI's Ministry of Finance (MOF), SIGIR is now able to calculate the GOI's actual capital expenditures for 2006–2009 instead of relying on amounts officially budgeted for capital projects.<sup>157</sup> Using this data, SIGIR has calculated that \$6.12 billion (12%) of the \$50.07 billion that the GOI provided through its 2006–2009 capital budgets has not been expended.<sup>158</sup>

### Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds

In an audit issued this quarter, SIGIR found that DoD established controls over vested and seized Iraqi assets—which constitute a portion of Iraqi funding from the CPA era used to calculate Iraq's contribution to reconstruction—and that the Army maintained accurate accountability and routinely reported on the obligation and expenditures of vested and seized assets. However, DoD has not issued guidance on how to use remaining funds from these sources, nor has it designated an agency or established a process for working with the Iraqi ministries to identify new projects to be supported

with the remaining balances.<sup>159</sup> For more information, see Section 5 of this Report.

## GOI Revenue

As of September 30, 2010, the GOI had received \$35.60 billion in oil receipts since the beginning of the calendar year. Assuming that oil export receipts for the final three months of the calendar year are equal to the average monthly receipts for the first nine months of 2010, the GOI would receive \$47.47 billion in total annual oil receipts for the year, 28% more than the \$37.02 billion in 2009 oil receipts,<sup>160</sup> and just shy of the \$47.91 billion projected in the 2010 GOI budget.<sup>161</sup>

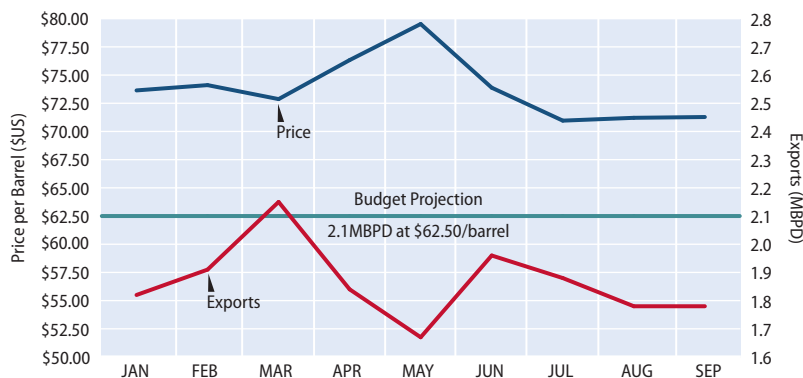
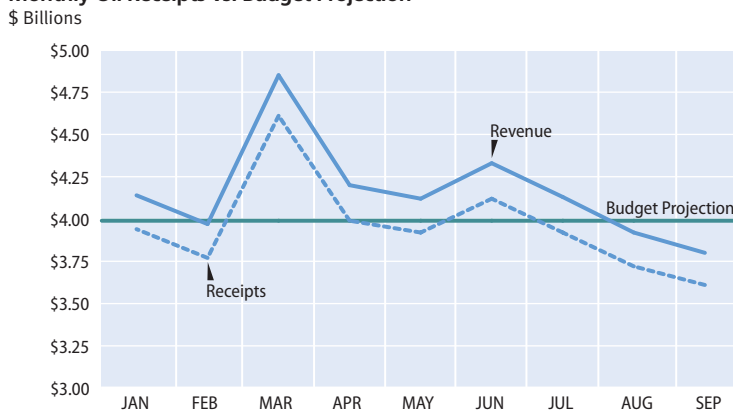
Since the beginning of the year, Iraq has received an average of \$73.69 per barrel of oil exported,<sup>162</sup> well above the price of \$62.50 per barrel used to project Iraqi oil revenues for 2010.<sup>163</sup> However, since the beginning of the year, Iraq has averaged only 1.86 million barrels per day (MBPD) in exports—less than its projected export volume of 2.10 MBPD.<sup>164</sup> For details, see Figure 2.10.

Since the beginning of the year, Iraq has received an average of \$73.69 per barrel of oil exported.

### Challenges in Determining the GOI's Budget Status

Ascertaining Iraq's budget status is difficult because of poor financial management practices. The consequent lack of clarity could undermine Iraq's allocation of resources, potentially contributing to waste and weakening accountability. According to the Director General of Finance for the MOF, part of the confusion arises from a lack of accounting codes in Iraq's financial management system. Currently, all of Iraq's outstanding advances (which are akin to "obligations" in U.S. budget terminology) are tracked under a single account code, which makes it difficult to determine Iraq's budget status.<sup>165</sup>

FIGURE 2.10

**MONTHLY OIL PRICE, EXPORTS, AND REVENUE VS. 2010 GOI BUDGET PROJECTIONS****Monthly Oil Price and Exports vs. Budget Projection****Monthly Oil Receipts vs. Budget Projection**

**Note:** Data not audited. Numbers affected by rounding. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait, which accounts for the difference between the Receipts and Revenue lines in this chart. Monthly oil export volumes reported by Treasury differ slightly from the data reported by NEA-I and used in the Oil and Gas subsection of this Report.

**Sources:** U.S. Treasury, response to SIGIR data call, 10/13/2010; GOI, CoR, "Federal Public Budget Law for the Fiscal Year 2010," 1/27/2010.

The IMF believes that Iraq's fiscal performance has improved. Reduced government spending, higher-than-projected oil revenues, low inflation, and a stable exchange rate resulted in a budget surplus for the first half of 2010, and reflected progress in instituting structural reforms. However, according to the IMF's analysis, "both the fiscal balance and current account are projected to remain in deficit" in 2010–2011, and low oil production and exports are expected to cause a decline in economic growth.<sup>166</sup>

This quarter, GAO performed an analysis of the GOI budget surplus.<sup>167</sup> According to the MOF, the GOI had recorded as much as \$40.3 billion in outstanding advances through 2009 against cumulative budget surpluses. These advances are unavailable for GOI expenditure, and according to the MOF, should therefore not be included in the total estimation of Iraq's budget surplus. Deducting advances from the total budget surplus through 2009 leaves an available surplus of \$11.8 billion.<sup>168</sup>

The GAO also analyzed GOI financial deposit balances as an additional means to assess Iraq's fiscal position. GOI data and an independent audit report showed that, through the end of 2009, Iraq had accumulated between \$15.3 billion and \$32.2 billion in financial deposit balances.<sup>169</sup> The range reflects a discrepancy between the amount of government-sector deposits reported by the Central Bank of Iraq (CBI) to the International Monetary Fund (IMF) and the amount that the MOF asserts is available for government spending. According to the MOF, \$16.9 billion of the \$32.2 billion in government-sector deposits belong to state-owned enterprises and government trusts, such as those established for orphans and pensioners; therefore, only \$15.3 billion of the \$32.2 billion in government deposits through the end of 2009 is available for GOI spending.<sup>170</sup>

The DoD, DoS, and Department of Treasury (Treasury) were unanimous in their belief that the actual amount funds available for spending by the GOI was at the low end of GAO's range and that maintaining a fiscal reserve would be sensible given Iraq's dependence on oil revenues and the volatility of oil prices. Also, DoD and Treasury believed that the actual value of Iraqi bank deposits were at the low end of GAO's range. DoD had the strongest objections, asserting that the GAO's overall message—that Iraq currently had significant cash reserves that would allow it to pay more of its security costs now and in 2011—was inaccurate and not supported by the financial data.<sup>171</sup> ♦

## INTERNATIONAL SUPPORT

As of September 30, 2010, international (non-U.S.) donors had committed \$12.01 billion for the relief and reconstruction of Iraq: \$6.15 billion in grant assistance and \$5.86 billion in loans.<sup>172</sup> This quarter, total commitments increased by an estimated \$50 million (0.5%), which came entirely from Iran's continuing implementation of projects arising from its numerous memoranda of understanding for economic cooperation.<sup>173</sup>

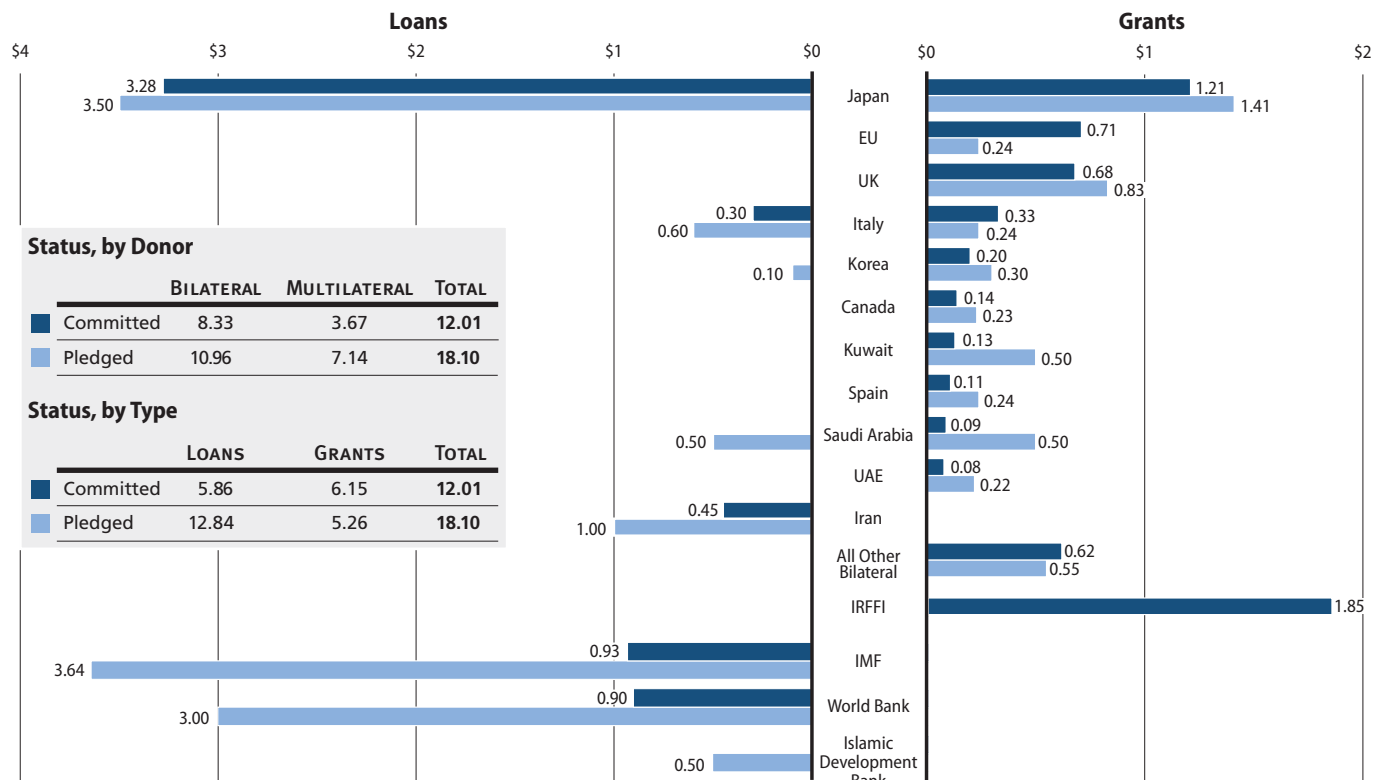
As of September 30, 2010, international donors had pledged \$18.10 billion: \$5.26 billion in grant assistance and \$12.84 billion in loans.<sup>174</sup>

On October 1, 2010, the IMF completed the first review of Iraq's economic performance under the 24-month Stand-By Arrangement, making an additional \$741 million available for disbursement to Iraq.<sup>175</sup> It is not yet clear how this new availability will affect committed and pledged amounts.

As of September 30, 2010, commitments totaled 66% of pledges, but the percentage varied considerably among donors. Some donors, notably in the Middle East, have committed far less than they pledged.<sup>176</sup> For a breakdown of pledges and commitments, by type of assistance and donor, see Figure 2.11. ♦

FIGURE 2.11

### INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR \$ Billions



Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Source: NEA-I, response to SIGIR data call, 10/4/2010.

# RECONSTRUCTION MANAGEMENT IN TRANSITION

THE CHANGING U.S. PRESENCE	48
CONTRACTING	55
SPECIAL FEATURE: <i>FOCUS ON MOSUL</i>	59

SECTION

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3

## THE CHANGING U.S. PRESENCE

On August 31, 2010, Operation Iraqi Freedom (OIF) officially ended, and with it the U.S. combat mission in Iraq. Two weeks earlier, the Army's Fourth Stryker Brigade—the last U.S. combat brigade in Iraq—left the country,<sup>177</sup> fulfilling a pledge that President Obama made in his February 2009 address at Camp Lejeune.<sup>178</sup>

### Strategic Direction

President Obama marked the end of OIF with an Oval Office address on August 31, 2010, in which he acknowledged the sacrifices made by U.S. service members and affirmed the United States's ongoing commitment to Iraq. He also noted the major changes in the U.S. presence over the last 18 months—including drawing down nearly 100,000 U.S. troops, closing or transferring to the Iraqis hundreds of bases, and moving millions of pieces of equipment—and reiterated that all U.S. troops will be out of Iraq by the end of 2011.<sup>179</sup>

For the interim, the President laid out the mission of the transitional force of U.S. troops in Iraq:<sup>180</sup>

- advising and assisting the Iraqi Security Forces (ISF)
- supporting Iraqi troops in targeted counterterrorism missions
- protecting U.S. civilians

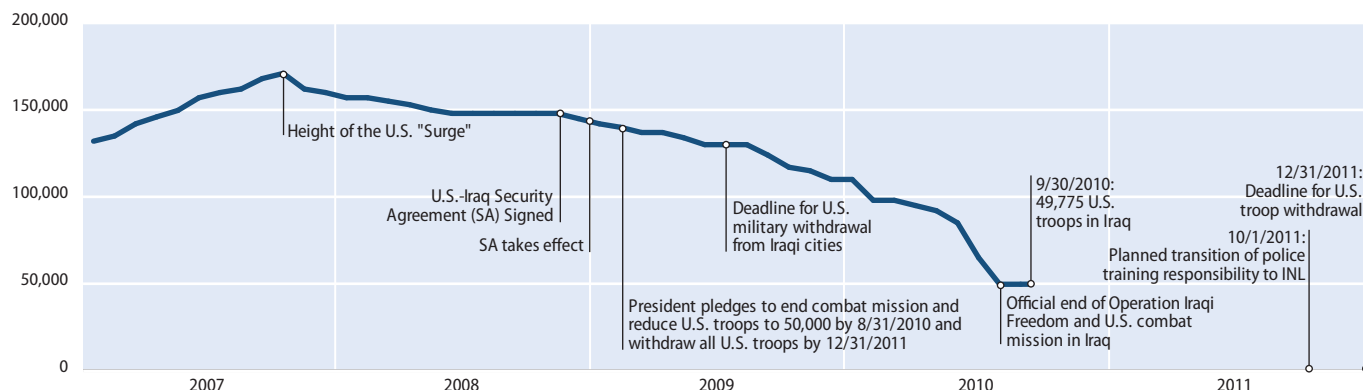
As the military withdraws, civilian agencies are taking the lead on policy development and program implementation. According to the President, “this new approach reflects our long-term partnership with Iraq—one built upon mutual interest and mutual respect.”<sup>181</sup>

### Operation New Dawn and the U.S.-Iraq Security Agreement

The end of OIF also marked the beginning of Operation New Dawn. Combat operations have officially concluded, but many day-to-day operations remain the same: the U.S. Forces-Iraq (USF-I) will continue to conduct force protection and stability

According to the President, “this new approach reflects our long-term partnership with Iraq—one built upon mutual interest and mutual respect.”

FIGURE 3.1  
TRANSITION MILESTONES  
U.S. Troops



Sources: The Brookings Institution, *Iraq Index*, 9/1/2010, p. 19; “Agreement Between the United States of America and the Republic of Iraq on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities during Their Temporary Presence in Iraq,” 11/17/2008; White House, Remarks of President Barack Obama as prepared for delivery, “Responsibly Ending the War in Iraq,” 2/27/2009, [www.whitehouse.gov/the\\_press\\_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/](http://www.whitehouse.gov/the_press_office/Remarks-of-President-Barack-Obama-Responsibly-Ending-the-War-in-Iraq/), accessed 9/23/2010; White House, Remarks by the President, “Address to the Nation on the End of Combat Operations in Iraq,” 8/31/2010, [www.whitehouse.gov/the-press-office/2010/08/31/remarks-president-address-nation-end-combat-operations-iraq](http://www.whitehouse.gov/the-press-office/2010/08/31/remarks-president-address-nation-end-combat-operations-iraq), accessed 9/23/2010.



operations, with the primary emphasis on training, equipping, and advising the ISF. USF-I remains combat-ready and will assist the ISF with counter-terrorism operations.<sup>182</sup>

USF-I continues to operate in Iraq under the legal framework of the U.S.-Iraq Security Agreement (SA), which was signed on November 17, 2008. The SA set forth a series of deadlines governing USF-I operations in Iraq between January 2009 and December 2011 and provided limits on the types of activities U.S. forces can perform. It also removed the immunity afforded to contractors under Coalition Provisional Authority (CPA) Order 17 and required that USF-I obtain a warrant from an Iraqi judge before detaining an Iraqi citizen.<sup>183</sup>

For an overview of the transition milestones, see Figure 3.1. For more information on the current security situation in Iraq, and the activities of USF-I and the ISF, see the Security discussion in Section 4 of this Report.

### Renewed Diplomatic Engagement and Development Efforts under the Strategic Framework Agreement

As the U.S. military withdraws from Iraq, the bilateral relationship is shifting from one based on military-led security assistance and capacity building to civilian-led engagement on a broad array of priorities, including shared security, political, economic, and cultural interests. Officials at the Department of State (DoS) envision a three- to five-year “bridge” period to a more normal bilateral relationship, during which U.S. civilian advisors will help to build Iraqi capacity to maintain U.S.-initiated projects and to plan and implement new projects.<sup>184</sup>

U.S. diplomatic engagement and development efforts are guided by the Strategic Framework Agreement (SFA), which was signed on November 17, 2008. The SFA outlines the broad contours of the bilateral relationship between the two countries in a series of key areas, including: political and diplomatic cooperation, defense, culture, economics, energy, health, the environment, communications,

and the rule of law. It entered into force on January 1, 2009, and will remain so indefinitely unless one of the parties elects to terminate it.<sup>185</sup>

Over the past two years, the United States and the Government of Iraq (GOI) have established six Joint Coordinating Committees (JCCs) and 24 Implementation Working Groups (WGs) to oversee and execute the SFA and assist in the resolution of any disputes that arise under its terms. The JCCs and WGs are staffed by government officials from both nations with expertise in the relevant subject matter areas. According to U.S. Embassy-Baghdad, delays in government formation and transfers of Embassy staff have negatively affected the regularity of the meetings over the past quarter, but the groups have continued to accomplish tasks in support of the SFA goals.<sup>186</sup>

## Managing the Transition

On August 16, 2010, Ambassador James Jeffrey was sworn in as the new U.S. Chief of Mission in Iraq, replacing Ambassador Christopher Hill. Ambassador Jeffrey served as U.S. Chargé d’Affaires in Iraq from March 2005 to June 2005 and as Deputy Chief of Mission in Iraq from June 2004 through March 2005.<sup>187</sup> On September 1, 2010, recently promoted General Lloyd Austin replaced General Raymond Odierno as the commander of USF-I.<sup>188</sup> General Austin served as the commander of

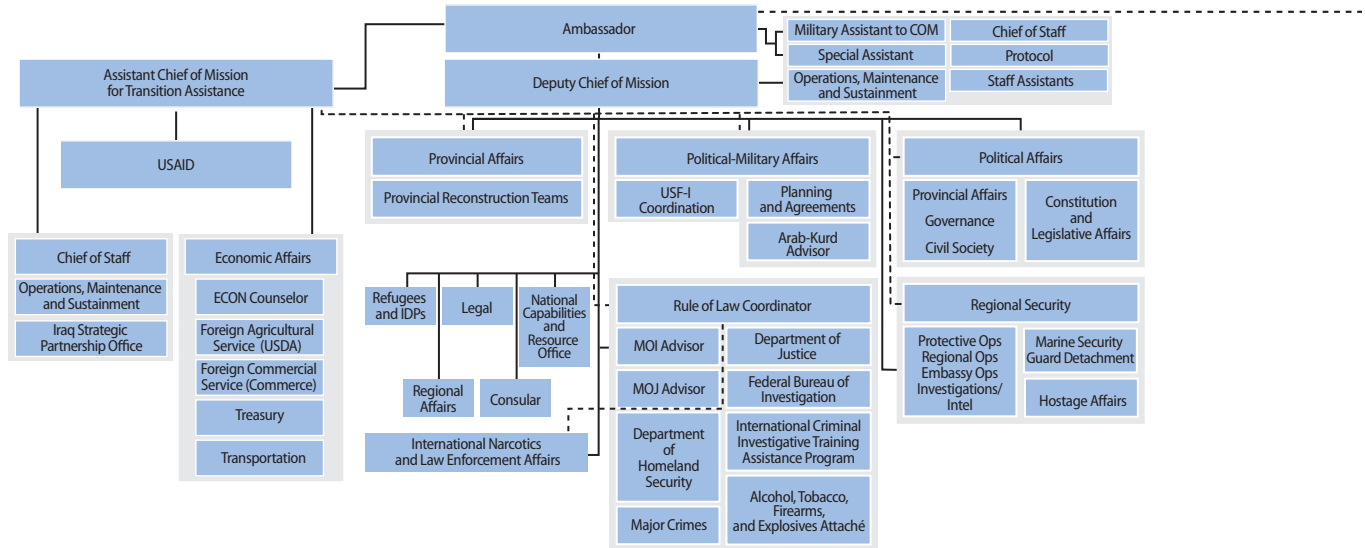
Officials at the Department of State envision a three- to five-year “bridge” period to a more normal bilateral relationship.



U.S. Ambassador Jeffrey participates in a ceremony marking the return of antiquities to the Iraq National Museum. (U.S. Embassy-Baghdad photo)

FIGURE 3.2

U.S. EMBASSY-BAGHDAD AND USF-I STRUCTURE AND FUNCTIONS



Sources: U.S. Embassy-Baghdad, responses to SIGIR data calls, 7/2/2010 and 10/4/2010; USF-I, response to SIGIR data call, 1/4/2010.



Marine General Mattis, commander of U.S. CENTCOM, passes the colors to incoming USF-I commander General Austin. (USF-I photo)

## U.S. Embassy-Baghdad: Building Capacity To Sustain the Assistance Program

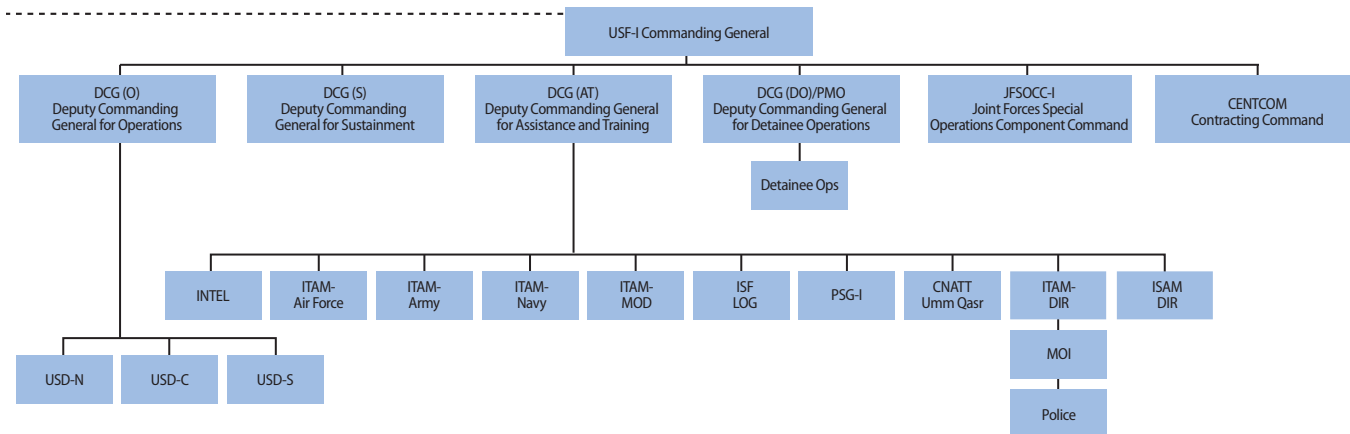
The scale and scope of the reconstruction program that DoS is inheriting from the Department of Defense (DoD) is “virtually unprecedented,” according to then-Deputy Secretary of State Jacob Lew. “While everything that we’ll be doing, we’ve done in other places, we’re doing it in a different way, in a different intensity and in a more difficult environment than ever before.”<sup>191</sup>

DoS does not have the capacity or the resources to continue DoD-initiated programs, such as police training, on a one-to-one basis. Instead, according to the Deputy Secretary, “our civilian-led programmings will be qualitatively different from existing military programs and they’ll be designed to meet the needs of today and tomorrow.”<sup>192</sup> This sentiment was echoed in-country by Ambassador Peter Bodde, the Assistant Chief of Mission, who said DoS was looking to use its “Expeditionary Embassy Model,” which he defined as robust, flexible, and able to adjust to conditions. Although U.S.

DoS does not have the capacity or the resources to continue DoD-initiated programs, such as police training, on a one-to-one basis.

Multi-National Corps-Iraq (MNC-I) from February 2008 to April 2009.<sup>189</sup> As of September 30, 2010, there were an estimated 49,775 U.S. troops in Iraq—less than one-third the approximately 176,000 U.S. troops that were in Iraq at the height of the U.S. “surge” in October 2007.<sup>190</sup>

For details on the U.S. Embassy-Baghdad organization and the USF-I command structure, see Figure 3.2.



Embassy-Baghdad will be the largest in the world, it has significantly fewer resources than the U.S. military has had in Iraq.<sup>193</sup>

U.S. Embassy-Baghdad recently issued guidance on the direction of the U.S. program in the coming year:<sup>194</sup>

- The future relationship will be guided by the SFA, “which features cooperation well beyond security, across a range of sectors, in line with Iraqi priorities.”
- In addition to the Embassy in Baghdad, plans call for consulates in Erbil and Basrah, and temporary Embassy Branch Offices in Mosul and Kirkuk, to “ensure that the U.S.-Iraq relationship is not limited to Baghdad, but extends throughout the country.”
- The civilian-led programs “are different from existing military programs,” and “will not duplicate everything the military has been doing.”
- U.S. assistance will shift from reconstruction of infrastructure and institutions “to providing technical assistance to strengthen Iraqi capacity in key fields such as health, education, civil society, agriculture, and economic diversification.”

These changes will be accompanied by a dramatic increase in the number of U.S. personnel under Chief of Mission (COM) authority. As of July 1, 2010, there were 6,787 personnel under COM authority in Baghdad and 794 in the provinces. By January 1, 2012, plans call for 9,426 personnel in Baghdad (a 39% increase) and 4,142 in the provinces (a 422% increase). DoS projections have each consulate staffed by more than 500 U.S. nationals (government employees and contractors) and more than 700 Iraqi or third-country national employees and contractors. At the consulates and the Embassy Branch Offices, plans call for 84% of U.S. nationals on staff to serve in security or aviation roles.<sup>195</sup> For details, see Figure 3.3.

In addition, DoS is preparing to open an Office of Security Cooperation-Iraq (OSC-I) under COM authority by mid-2011. OSC-I will oversee U.S. military assistance to the ISF, including administering Foreign Military Sales. Current plans call for OSC-I to be staffed by a combination of military, civilian, and local personnel augmented by security and support contractors.<sup>196</sup>

Plans call for 84% of U.S. nationals on staff to serve in security or aviation roles.

FIGURE 3.3

## U.S. EMBASSY-BAGHDAD STAFFING PLANS FOR CONSULATES AND EMBASSY BRANCH OFFICES

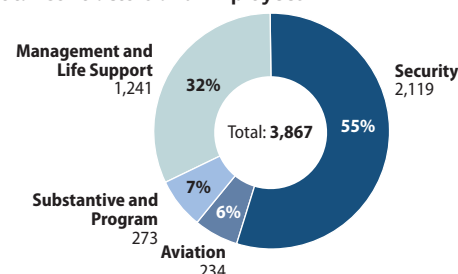
Employees and Contractors

	U.S. NATIONALS	IRAQI/THIRD-COUNTRY NATIONALS	TOTAL
<b>CONSULATE GENERAL BASRAH</b>			
Substantive and Program	73	24	97
Management and Life Support	19	379	398
Security	341	323	664
Aviation	77	0	77
<b>Total</b>	<b>510</b>	<b>726</b>	<b>1,236</b>
<b>CONSULATE GENERAL ERBIL</b>			
Substantive and Program	96	39	135
Management and Life Support	10	431	441
Security	349	305	654
Aviation	157	0	157
<b>Total</b>	<b>612</b>	<b>775</b>	<b>1,387</b>
<b>EMBASSY BRANCH OFFICE KIRKUK</b>			
Substantive and Program	17	4	21
Management and Life Support	10	191	201
Security	192	208	400
<b>Total</b>	<b>219</b>	<b>403</b>	<b>622</b>
<b>EMBASSY BRANCH OFFICE MOSUL</b>			
Substantive and Program	16	4	20
Management and Life Support	10	191	201
Security	193	208	401
<b>Total</b>	<b>219</b>	<b>403</b>	<b>622</b>

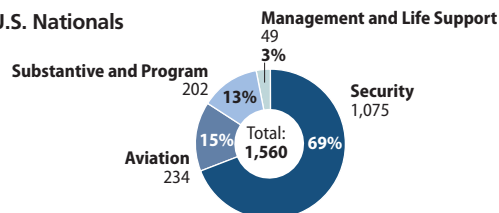
**Note:** Data not audited. The "Substantive and Program" category includes INL employees and contractors. Each category includes employees and contractors under COM authority.

**Source:** U.S. Embassy-Baghdad, Country Team meeting, 10/17/2010.

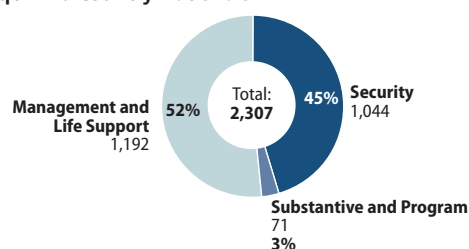
### Total Contractors and Employees



### U.S. Nationals



### Iraqi/Third-country Nationals



## INL: Assuming Police Training Responsibility

USF-I's Iraq Training and Advisory Mission (ITAM) runs the current police training program with the assistance of police advisors provided through a contract managed by DoS's Bureau of International Narcotics and Law Enforcement Affairs (INL). Program activities focus on mentoring and advising Iraqi Police at the station-house level, as well as providing technical assistance at district and provincial police headquarters. ITAM is also providing management support to Ministry of Interior (MOI) senior officials and helping to increase MOI's training capacity at the basic and advanced levels.<sup>197</sup>

INL has full contract-management responsibility, working with DoD to ensure an adequate number of police advisors with the proper qualifications are actively involved in training.<sup>198</sup>

ITAM will retain the lead in police training through July 1, 2011, when INL is scheduled to assume interim operational control. INL will assume full responsibility on October 1, 2011,<sup>199</sup> when its Police Development Program (PDP) is set to officially begin.<sup>200</sup> According to INL, the PDP will focus on management and leadership mentoring and on advising senior police officials at the ministry and provincial levels. It will also feature a train-the-trainer program to further develop MOI capacity

There are lingering concerns about INL's capacity to run such a large program.

to provide specialized training in advanced policing skills.<sup>201</sup> INL reported that it was currently finalizing plans for basing and facilities, life and mission support, security, air and ground transportation, and other logistical support for the PDP.<sup>202</sup> INL also reported that it was bringing in specialists and expanding its staff in Baghdad to fully coordinate with the GOI and the DoD regarding the transition of police training responsibility.<sup>203</sup> The Congress provided FY 2010 supplemental appropriations to INL to fund implementation costs associated with the transition period, as well as start-up costs related to facility upgrades and acquisition of rotary-wing aircraft to support the PDP.<sup>204</sup> In total, the Congress appropriated \$650 million: \$450 million for one-time start-up costs and limited operations (\$67 million less than

requested) and an unrequested \$200 million for implementation, management, and security during the transition.<sup>205</sup> INL effectively received \$133 million more than requested.<sup>206</sup> However, according to INL, the unrequested \$200 million was “forward-funded” from the \$314 million requested in the FY 2011 regular appropriations request for the International Narcotics and Law Enforcement (INCLE) account, which the Congress is still considering.<sup>207</sup> Despite the new funding, there are lingering concerns about INL's capacity to run such a large program. As police training responsibilities transition to INL, the number of police advisors appears set to fall to around 200; DoS had originally planned for approximately 350 police advisors.<sup>208</sup> According to U.S. Embassy-Baghdad, these staffing cuts reflect a reduced U.S. mission footprint and budgetary pressures.<sup>209</sup>

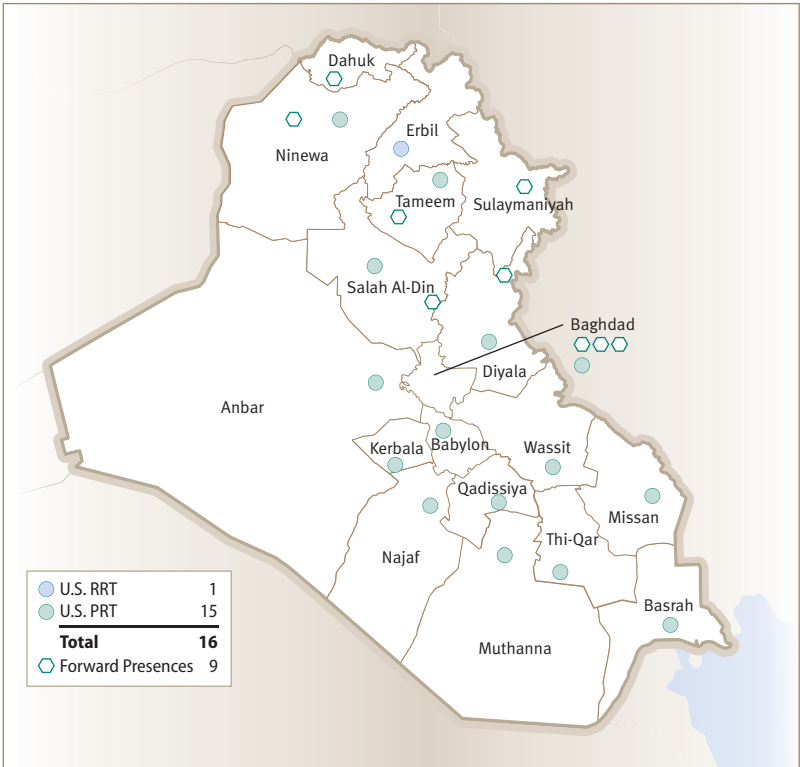
PRT Program: A Shrinking Footprint

As of September 30, 2010, the Provincial Reconstruction Team (PRT) footprint comprised 25 sites in Iraq: 15 PRTs, 1 Regional Reconstruction Team (RRT), and 9 Forward Presence locations.<sup>210</sup> For the locations of current PRTs, see Figure 3.4.

According to U.S. Embassy-Baghdad, a Forward Presence post is a PRT branch office, colocated on a U.S. military installation, that is intended to reduce the travel time and risks associated with moving PRT members to distant areas of their assigned province for routine meetings.<sup>211</sup> A Forward Presence post is typically staffed with only one to four team members, who are usually Bilingual Bicultural Advisors (BBAs) or Section 3161 DoS direct-hire personnel. They report to the Foreign Service Officer Team Leader at their parent PRT.<sup>212</sup>

This quarter, the last embedded PRTs (ePRTs) were disbanded, as the Brigade Combat Teams to which they were assigned departed Iraq. The ePRTs were designed specifically for counterinsurgency operations during the U.S. “surge.” According to U.S. Embassy-Baghdad, the operational focus has since evolved from counterinsurgency to stability operations, and responsibility for civil capacity

FIGURE 3.4  
PROVINCIAL RECONSTRUCTION TEAM FOOTPRINT, AS OF 9/30/2010



Source: U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 10/4/2010.



development has shifted from a military to a civilian lead. Consequently, there is no longer an operational need to have civilian subject-matter experts assigned to military units.<sup>213</sup>

## ISPO and USACE: Completion or Cancellation of Reconstruction Projects

This quarter, U.S. Embassy-Baghdad's Iraq Strategic Partnership Office (ISPO) focused on coordinating the completion of construction projects and grants and the transfer of completed facilities to the GOI. ISPO also provided technical assistance to select Iraqi ministries that focus on providing essential services—primarily electricity.<sup>214</sup>

As the successor to the Iraq Transition Assistance Office (ITAO), ISPO is responsible for completing any remaining coordination, oversight, and reporting functions for Iraq Relief and Reconstruction Fund (IRRF) monies.<sup>215</sup> According to ISPO, as of September 30, 2010, there were 25 ongoing IRRF projects, with a total cost of nearly \$330 million.<sup>216</sup> For a complete list of ongoing IRRF-funded projects, see Section 2 of this Report.

Under the guidance of the Assistant Chief of Mission for Assistance Transition, ISPO coordinates its efforts to descope, cancel, or complete remaining projects with the U.S. Army Corps of Engineers (USACE), the U.S. Embassy's Office of Provincial Affairs (OPA), the PRTs, and the GOI ministries that would accept responsibility for such projects.<sup>217</sup> According to ISPO, its aim is to continually assess progress and help redress challenges that can affect

project completion. If changes in a project's parameters are warranted, the involved parties are consulted and agreement on a path forward is sought.<sup>218</sup>

This quarter, U.S. Embassy-Baghdad notified the Congress of its intent to cancel 10 of the 150 projects being implemented by USACE under the Provincial Reconstruction Development Council (PRDC) program and the Infrastructure Security Program (ISP) in order to transfer the funds to higher priority activities. As a result of these cancellations, a combined \$82.1 million of FY 2006 and FY 2007 Economic Support Fund (ESF) appropriations were available for reprogramming, including proposed reprogrammings to the PRT Quick Response Fund (\$21.8 million), the Community Action Program (\$10 million), and rule-of-law programs (\$8.7 million).<sup>219</sup>

USACE is also now working more closely with Iraqi counterparts to finish or transfer its projects. According to the GOI's Deputy Minister of Electricity, USACE is working to ensure that the ministry is able to finish projects that USACE contractors were unable to complete. Under a memorandum of understanding, the MOE would complete the project, USACE would visit the site to ensure that the work was done, and the MOE would then submit paperwork for reimbursement by the United States. According to the Deputy Minister, the agreement so far seems to be working, but the ministry wants assurance from the Embassy that it will be reimbursed for the work—particularly as the U.S. military prepares to depart in 2011.<sup>220</sup> ♦

The Ministry of Electricity wants assurance from the Embassy that it will be reimbursed for the work—particularly as the U.S. military prepares to depart in 2011.

## CONTRACTING

### Contractor and Grantee Support

As of September 30, 2010, DoD, DoS, and the U.S. Agency for International Development (USAID) reported 88,448 U.S.-funded contractors and grantees supporting the U.S. reconstruction program in Iraq—a net decline of 25,201 (22%) from the number of contractors and grantees reported last quarter.

In general, the trend in contractors and grantees matches the shift in leadership from DoD to DoS:<sup>221</sup>

- The number of reported DoD contractors and grantees declined by 26,642 (25%).
- The number of reported DoS contractors and grantees increased by 310 (6%). However, reporting has been inconsistent, and the net change obscures large changes within the non-security and private security contractor (PSC) categories.
- The number of USAID contractors and grantees increased by 1,131 (45%). USAID reported a particularly large increase in the number of Iraqi nationals providing non-security services.

As of September 30, 2010, approximately 15% of all reported contractors and grantees in Iraq were PSCs.<sup>222</sup> For details on the number of reported contractors and grantees, see Figure 3.5.

### Contractor Deaths and Injuries

Unlike military casualties, data on contractor deaths and injuries has not been systematically tracked by agencies. The Synchronized Predeployment and Operational Tracker (SPOT) was designed, in part, to address that gap and thereby improve oversight of contracts, grants, and cooperative agreements. Each agency is required by law to track the number of personnel killed or wounded while working on contracts or other assistance instruments. However, according to the Government Accountability Office (GAO), only DoS and USAID have done so.<sup>223</sup>

The most reliable data continues to come from the U.S. Department of Labor (DoL) Division of Longshore and Harbor Worker Compensation, which administers insurance benefits under the Defense Base Act. However, this information only reflects those deaths and injuries submitted to DoL for compensation.<sup>224</sup>

The number of claims for contractor deaths has generally declined since early 2007, but military fatalities have declined even more. Consequently, the number of military fatalities and contractor deaths is now similar.<sup>225</sup> According to GAO analysis of DoL data, approximately 26% of contractor deaths in FY 2009 and the first half of FY 2010 were due to hostile incidents, mostly resulting from improvised explosive devices.<sup>226</sup> Contractor injuries increased sharply in late 2006 and began rising again in 2009.<sup>227</sup>

For details on the number of reported contractor deaths and injuries, compared with military casualties, see Figure 3.5.

### Role of Private Security Contractors

U.S. Embassy-Baghdad reported that the number of security incidents involving PSCs appears to have been holding steady over the past several months, and these incidents do not appear to be directly linked to the drawdown of U.S. forces. Although the MOI is credited with making progress in regulating the PSC industry in Iraq, ISF guarding entry control points (ECPs) to the International Zone have reportedly used disproportionate security measures with PSCs. Most incidents are resolved at the ECPs with only a delay, but some PSC personnel have been detained or have had their equipment seized. According to U.S. Embassy-Baghdad, PSCs will often take longer, less secure routes to avoid the more problematic ECPs. The situation has been exacerbated by the inability of PSCs to register U.S.-government-furnished

The trend in contractors and grantees matches the shift in leadership from DoD to DoS.



# RECONSTRUCTION MANAGEMENT IN TRANSITION

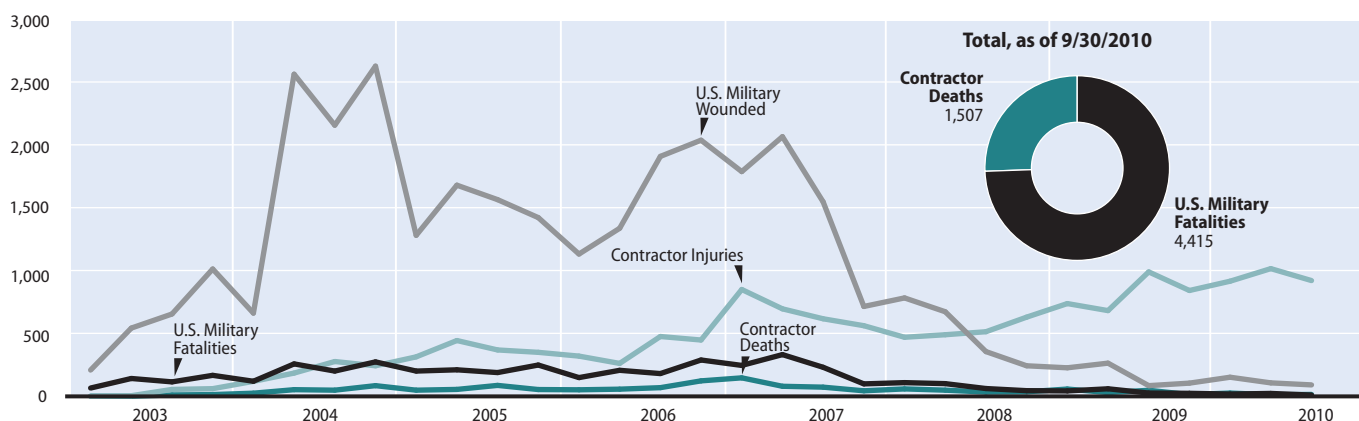
FIGURE 3.5

## U.S.-FUNDED CONTRACTORS AND GRANTEES IN IRAQ

Number of Contractors and Quarterly Change

AGENCY	PURPOSE	U.S. CITIZENS		THIRD-COUNTRY NATIONAL		IRAQI NATIONAL		TOTAL	
		STATUS, AS OF 9/30/2010	CHANGE OVER PREVIOUS QUARTER	STATUS, AS OF 9/30/2010	CHANGE OVER PREVIOUS QUARTER	STATUS, AS OF 9/30/2010	CHANGE OVER PREVIOUS QUARTER	STATUS, AS OF 9/30/2010	CHANGE OVER PREVIOUS QUARTER
DoD	Non-security	21,731	-30% ↓	36,449	171% ↑	10,028	-78% ↓	68,208	-24% ↓
	PSCs	1,030	-25% ↓	9,699	-31% ↓	684	-48% ↓	11,413	-32% ↓
	<b>Subtotal</b>	<b>22,761</b>	<b>-30% ↓</b>	<b>46,148</b>	<b>67% ↑</b>	<b>10,712</b>	<b>-77% ↓</b>	<b>79,621</b>	<b>-25% ↓</b>
DoS	Non-security	2,710	N/A	1,898	N/A	228	N/A	4,836	N/A
	PSCs	12	-99% ↓	331	-87% ↓	1	-100% ↓	344	-93% ↓
	<b>Subtotal</b>	<b>2,722</b>	<b>126% ↑</b>	<b>2,229</b>	<b>-11% ↓</b>	<b>229</b>	<b>-81% ↓</b>	<b>5,180</b>	<b>6% ↑</b>
USAID	Non-security	161	3% ↑	108	-91% ↑	2,034	1,374% ↑	2,303	55% ↑
	PSCs	3	0%	266	-51% ↓	1,075	121% ↑	1,344	30% ↑
	<b>Subtotal</b>	<b>164</b>	<b>3% ↑</b>	<b>374</b>	<b>-78% ↓</b>	<b>3,109</b>	<b>397% ↑</b>	<b>3,647</b>	<b>45% ↑</b>
<b>Total</b>		<b>25,647</b>	<b>-24% ↓</b>	<b>48,751</b>	<b>53% ↑</b>	<b>14,050</b>	<b>-71% ↓</b>	<b>88,448</b>	<b>-22% ↓</b>

## U.S. Military Fatalities and Wounded vs. Contractor Deaths and Injuries, by Quarter



## CONTRACTOR DEATHS, BY EMPLOYER, 3/2003–9/2010

EMPLOYER	DEATHS
L-3 Communications - Titan Corporation	165
Titan Corporation	149
Service Employees International, Inc.	89
Hart GMSSCO LTD.	60
ArmorGroup International Limited	59
Corporatebank Financial Services, Inc.	56
PWC Logistics	54
Kulak Construction Company	33
Aegis Defence Services	32
Prime Projects International	31

## CONTRACTOR INJURIES, BY EMPLOYER, 3/2003–9/2010

EMPLOYER	INJURIES
Service Employees International, Inc.	7,213
Triple Canopy	491
EG&G Technical Service	425
L-3 Communications - Titan Corporation	370
Global Linguist Solutions	369
L-3 Communications Corporation	329
Blackwater Security Consulting	327
DynCorp Technical Services	320
DynCorp International	295
Prime Projects International	283

**Notes:** Data not audited. Numbers affected by rounding. U.S. military *fatalities* include deaths of military personnel arising from hostile and non-hostile incidents, and *wounded* values refer to combat-related injuries. Statistics on military fatalities and wounded are compiled by The Brookings Institution using daily DoD reports. Contractor *deaths* and *injuries* reflect those reported to the U.S. DoL Division of Longshore and Harbor Worker Compensation in claims seeking compensation under the Defense Base Act. Contractor injuries reported to the DoL resulted in at least one day of lost time.

**Sources:** The Brookings Institution, *Iraq Index*, 9/30/2010, pp. 13–14; DoL, responses to SIGIR data calls, 11/25/2009, 1/5/2010, 4/12/2010, 7/7/2010, 10/4/2010, and 10/7/2010; U.S. Embassy-Baghdad, RSO, responses to SIGIR data calls, 7/1/2010 and 10/4/2010; USF-I, responses to SIGIR data calls, 7/1/2010 and 10/4/2010; USAID, responses to SIGIR data calls, 7/2/2010 and 10/3/2010; USACE, response to SIGIR data call, 7/3/2010.

weapons or vehicles. GOI law does not allow the registration of this equipment, which is used widely by PSCs during the course of their duties. The Embassy continues to work with the GOI to resolve these issues, but legislation cannot be passed until the new government is formed.<sup>228</sup>

## Contracting Actions and Grants

As of September 30, 2010, DoD, DoS, and USAID had reported 68,836 contracting actions or grants,<sup>229</sup> totaling \$38.74 billion in cumulative obligations.<sup>230</sup> This accounts for 85% of the \$45.62 billion in reported financial obligations

from the IRRF, ESF, Iraq Security Forces Fund (ISFF), and Commander's Emergency Response Program (CERP).<sup>231</sup> This quarter, DoD, DoS, and USAID reported 1,731 new contracting actions or grants, resulting in \$1.18 billion in new obligations and \$716 million in new expenditures.<sup>232</sup>

For an overview of the status and quarterly change of contracting actions and grants, see Table 3.1. For a list of the top contractors and grantees in Iraq, see Table 3.3. For a complete list of contracting actions and grants, as reported to SIGIR, visit: [www.sigir.mil](http://www.sigir.mil).

## Contracts and Grants Awarded to Iraqis

For security reasons, SIGIR does not publish the names of Iraqi contractors or grantees. In the list of contracting actions and grants published on the SIGIR website, Iraqi contractors and grantees are indicated by a unique identification number.<sup>233</sup>

Since 2003, U.S. agencies have reported contracting actions or grants with 1,468 total unique Iraqi contractors and grantees using IRRF, ISFF, or ESF funds.<sup>234</sup> For a breakdown of the number and value of contracting actions with Iraqi vendors, by fund, see Table 3.2. Based on available data, SIGIR cannot determine the identity of CERP recipients; consequently, it is not possible to determine the number of unique contractors and grantees. Since 2004, OSD has reported 35,405 contracting actions or grants using CERP funds (this value is used in place of the count of unique contractors or grantees in the CERP row of Table 3.2). ♦

TABLE 3.1

### CONTRACTING ACTIONS AND GRANTS

\$ Millions

FUND	STATUS AS OF 9/30/2010			CHANGE OVER QUARTER		
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED
ISFF	17,765	\$17,189.1	\$16,091.2	811 (5%)	\$548.5 (3%)	\$470.0 (3%)
IRRF	8,472	\$14,408.8	\$14,254.2	11 (0%)	\$3.7 (0%)	\$15.3 (0%)
ESF	7,194	\$3,497.7	\$3,069.3	174 (2%)	\$211.6 (6%)	\$217.3 (8%)
CERP	35,405	\$3,640.6	\$2,911.6	735 (2%)	\$412.0 (13%)	\$13.8 (0%)
<b>Total</b>	<b>68,836</b>	<b>\$38,736.0</b>	<b>\$36,326.4</b>	<b>1,731 (3%)</b>	<b>\$1,175.7 (3%)</b>	<b>\$716.3 (2%)</b>

**Note:** Data not audited. Numbers affected by rounding. Tables represent only those contracting actions that were reported by the agencies; they do not reflect all obligations or expenditures made in Iraq.

**Sources:** CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 7/6/2010 and 10/1/2010; DoS, responses to SIGIR data calls, 7/8/2010 and 10/6/2010; USAID, response to SIGIR data call, 1/22/2010.

TABLE 3.2

### CONTRACTING ACTIONS AND GRANTS WITH IRAQI PARTNERS

\$ Millions

FUND	STATUS AS OF 9/30/2010			CHANGE OVER QUARTER		
	COUNT	OBLIGATED	EXPENDED	COUNT	OBLIGATED	EXPENDED
CERP	35,405	\$3,640.6	\$2,911.6	735 (2%)	\$412.0 (13%)	\$13.8 (0%)
IRRF	2,400	\$1,547.7	\$1,529.0	-2 (0%)	\$-1.5 (0%)	\$11.5 (1%)
ISFF	6,359	\$1,545.4	\$1,418.6	218 (4%)	\$-13.3 (1%)	\$30.0 (2%)
ESF	1,490	\$598.2	\$561.0	26 (2%)	\$3.7 (1%)	\$9.3 (2%)
<b>Total</b>	<b>45,654</b>	<b>\$7,331.8</b>	<b>\$6,420.2</b>	<b>977 (2%)</b>	<b>\$400.9 (6%)</b>	<b>\$64.6 (1%)</b>

**Note:** Data not audited. Numbers affected by rounding. Tables represent only those contracting actions that were reported by the agencies; they do not reflect all obligations or expenditures made in Iraq. Iraqi contractors and grantees are not identified as such by the agencies; SIGIR assigns a unique identification number for only those contractors and grantees that it can identify as Iraqi.

**Sources:** CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 7/6/2010 and 10/1/2010; DoS, responses to SIGIR data calls, 7/8/2010 and 10/6/2010; USAID, response to SIGIR data call, 1/22/2010.

# RECONSTRUCTION MANAGEMENT IN TRANSITION

TABLE 3.3

## TOP CONTRACTORS IN IRAQ, AS OF 9/30/2010

\$ Millions

CONTRACTOR	OBLIGATED				EXPENDED			
	IRRF	ISFF	ESF	TOTAL	IRRF	ISFF	ESF	TOTAL
Bechtel National, Inc.	1,186.6			1,186.6	1,180.2			1,180.2
Environmental Chemical Corporation	350.9	766.1		1,117.0	349.5	751.6		1,101.1
FluorAMEC, LLC	943.6			943.6	942.1			942.1
AECOM Government Services, Inc.	11.5	949.3		960.8	11.5	878.2		889.7
Washington Group International	509.5	164.8		674.3	508.2	163.7		672.0
Parsons Global Services, Inc.	687.0	3.6		690.5	665.5	3.6		669.1
International Relief and Development			686.7	686.7			651.7	651.7
Parsons Iraq Joint Venture	632.2			632.2	630.2			630.2
Kellogg Brown & Root Services, Inc.	630.0	9.7		639.7	620.4	6.3		626.7
Navistar	68.7	560.7		629.4	68.7	499.0		567.7
American Equipment Company (AMERCO)	0.2	516.9		517.1	0.2	511.7		511.9
Research Triangle Institute			435.5	435.5			370.2	370.2
Iraqi Contractor - 5300	16.6	339.1	10.5	366.2	16.6	321.3	10.5	348.4
TolTest, Inc.	86.1	266.8		352.8	82.4	262.9		345.3
Tetra International, LLC	67.4	276.2	0.4	344.0	67.4	274.6	0.4	342.4
Laguna Construction Company, Inc.	156.7	179.6		336.2	155.8	165.3		321.1
AMEC Earth & Environmental, Inc.	134.6	183.3		317.8	134.4	182.7		317.1
Innovative Technical Solutions, Inc.	25.6	283.9		309.6	25.6	279.4		305.0
MAC International FZE	177.3	118.6		295.9	177.2	113.9		291.1
Research Triangle Institute (RTI)	287.7			287.7	287.4			287.4
Weston Solutions, Inc.	114.1	170.3		284.4	114.1	170.0		284.1
Management Systems International, Inc.			304.4	304.4			276.8	276.8
Anham Joint Venture	258.5	6.3		264.8	258.5	6.3		264.8
Symbion Power, LLC	258.5			258.5	254.1			254.1
CHF International	51.4		210.9	262.3	51.3		193.8	245.1
BearingPoint, Inc.	154.4		85.0	239.4	153.3		85.0	238.3
Siemens	217.9		6.4	224.3	217.9		6.4	224.3
Washington International/ Black & Veatch	224.6		0.5	225.0	221.7		0.4	222.1
URS Group, Inc.		225.8		225.8		218.4		218.4
Louis Berger International, Inc.			266.4	266.4			208.1	208.1

**Note:** Data not audited. Numbers affected by rounding. Table represents only those contracting actions that were reported by the agencies; they do not reflect all obligations or expenditures made in Iraq.

**Sources:** CEFMS, ESF, IRRF: Construction, IRRF: Non-construction, ISFF, 10/1/2010; DoS, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 1/22/2010.

## FOCUS ON MOSUL

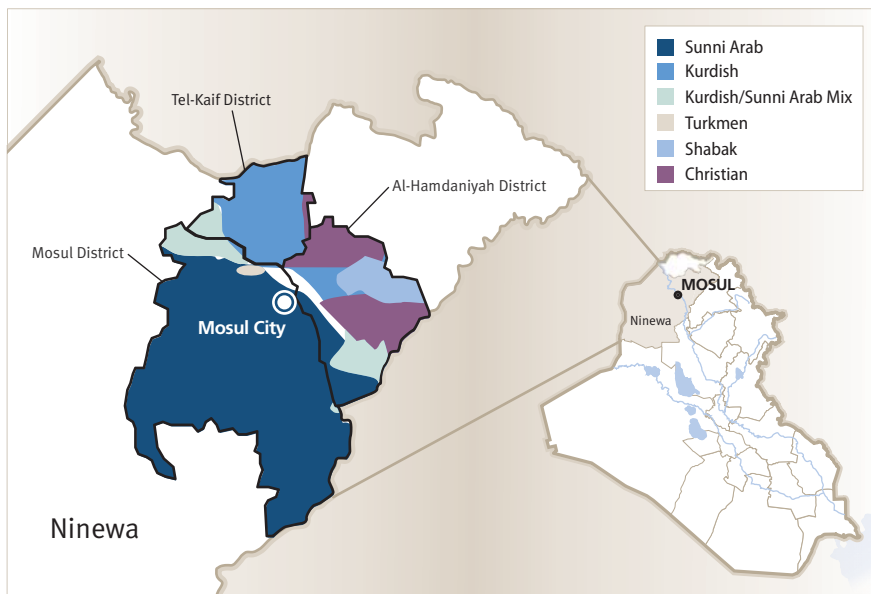
### Background

Situated on the banks of the Tigris with a population of approximately 1.6 million people, Mosul is the largest city in northern Iraq.<sup>235</sup> Founded several centuries before the Common Era near the site of the ancient city of Ninevah, Mosul's geographic position has placed it at the crossroads of empires for almost three millennia. Mosul's present-day diverse ethnic composition reflects the myriad cultures—Arab, Kurdish, Persian, Turkish—that have influenced the city from its inception. Current estimates suggest that Sunni Arabs make up about 70% of Mosul's population, Kurds 25%, and a polyglot mixture of Turkmen, Yazidis, Christian Arabs, and others comprising the remainder.<sup>236</sup>

Historically, Mosul was one of the primary administrative centers in northern Mesopotamia, serving as the capital of the Ottoman province that bore its name.<sup>237</sup> In the aftermath of World War I, the British joined together the Ottoman province with provinces centered on Baghdad and Basrah to form the new country of Iraq. Today, Mosul is the capital city of Ninewa province, which has an estimated population of 2.8 million.<sup>238</sup>

### Elections

In 2005, Iraq conducted its first Provincial Council elections, which were boycotted by most Sunni Arabs. Only 14% of Ninewa's eligible voters turned out to cast ballots in those elections.<sup>239</sup> The Sunni boycott skewed the results in several ethnically mixed provinces, including Ninewa, where the Kurdish minority captured 31 of the 41 Provincial Council seats.<sup>240</sup> Four years later, the results were very different. A marked increase in Sunni Arab participation



Source: PRT Ninewa, response to SIGIR data call, 10/19/2010.

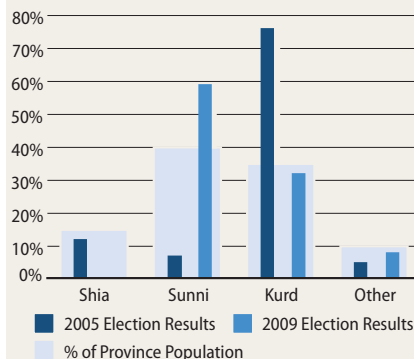
resulted in the Sunni-dominated parties and their allies winning 22 of the 37 seats on Ninewa's council, while the Kurdish Ninewa Brotherhood secured only 12.<sup>241</sup>

Mosul's Sunni Arabs also displayed their strength in the March 2010 elections for the Council of Representatives. Ayad Allawi's largely Sunni al-Iraqiya bloc won 20 of Ninewa's 34 seats, and bloc member Mosul-based Osama al-Nujaifi won the third-highest vote total of any candidate on the provincial ballot, behind only the current Prime Minister Nouri al-Maliki and former Prime Minister Allawi.<sup>242</sup> Consequently, Mosul's Sunni community will be well represented in the broader national political conversation in the years to come.

### Security

Mosul's Sunni Arab orientation and its strategic location near Iraq's long-rebellious Kurdish territories made it a natural northern bastion for the Ba'athist regime. In many respects, Mosul under

### COUNCIL SEATS WON IN NINEWA, 2005 VS. 2009

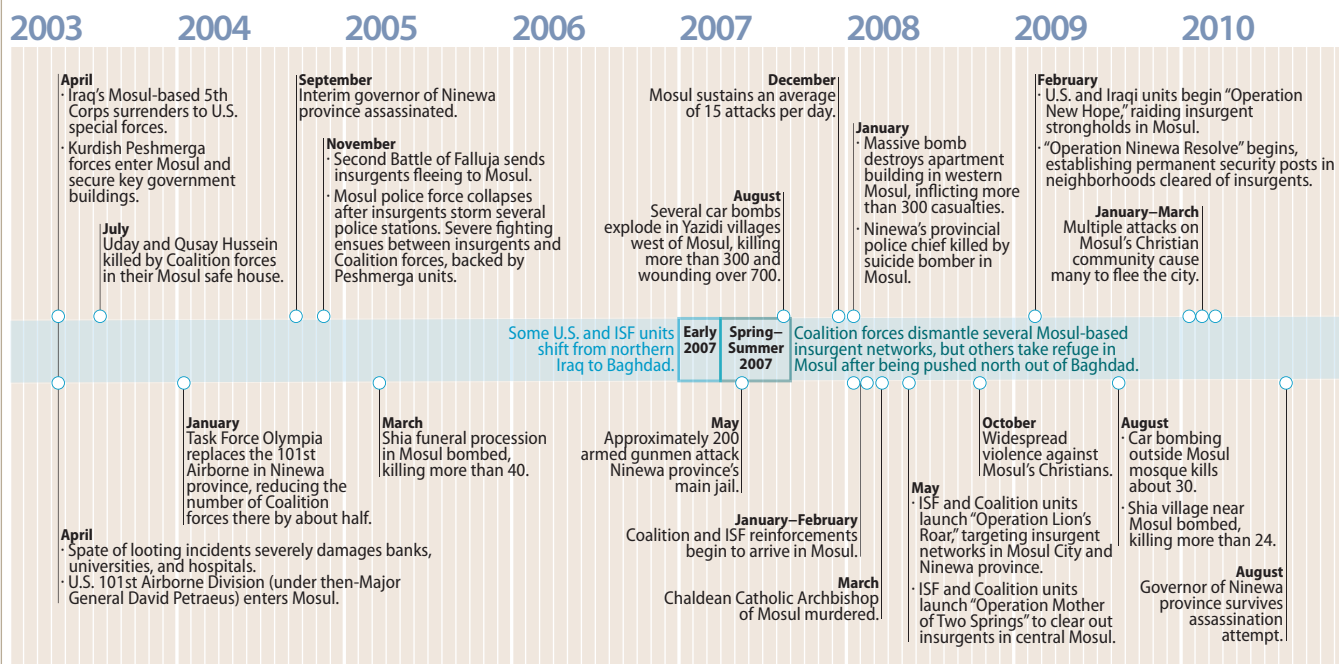


Sources: UNAMI, Elections Results, Issue No. 30, 2/2009; GOI, IHEC, [www.ihec.iq/arabic](http://www.ihec.iq/arabic), accessed 2/22/2009 (SIGIR translation); U.S. Embassy-Baghdad, response to SIGIR data call, 4/2/2009.



Residents conduct business in downtown Mosul.

## MOSUL SECURITY TIME LINE, 2003–2010



**Note:** This time line is intended to highlight selected major events since April 2003. It is not intended to be a comprehensive account of events over the past seven years.

**Sources:** Institute for the Study of War, "The Fight for Mosul," [www.understandingwar.org/files/reports/Iraq%20Report%208.pdf](http://www.understandingwar.org/files/reports/Iraq%20Report%208.pdf), accessed 9/21/2010; International Crisis Group, "Iraq's New Battlefield: The Struggle over Ninewa," Middle East Report No. 90—9/28/2009, [www.aina.org/reports/inbtson.pdf](http://www.aina.org/reports/inbtson.pdf), accessed 9/24/2010; SIGIR analysis of open-source Arabic- and English-language documents.

the Ba'athists was the quintessential garrison town. One report estimates that Mosul and its environs contributed more than 300,000 residents to the security apparatus of the Ba'athist state.<sup>243</sup> Two years after the toppling of Saddam's statue in Firdos Square, greater Mosul was home to an estimated 1,100 former Iraqi generals and more than 100,000 former Iraqi Army soldiers of other ranks, providing fertile recruiting ground for the growing insurgency.<sup>244</sup>

Following the fall of Saddam, Kurdish Peshmerga irregulars, supported by Coalition troops, seized control of the Mosul area and remained a dominant force there until 2008. In 2005, according to one Kurdish general, 80% of the security forces in Mosul—and three of the four brigadier generals—were Kurds.<sup>245</sup> Many Arab residents of Mosul resented Kurdish policies during these years, perceiving them as efforts to "Kurdicize" Mosul.<sup>246</sup> The Arab population's hostility opened

Mosul to infiltration by al-Qaeda in Iraq and other Sunni extremists. Between 2004 and 2007, Mosul was wracked by widespread insurgent violence.<sup>247</sup> High-profile attacks occurred with regularity, and no one was immune—not even the second post-war governor of Ninewa province, who was assassinated in mid-2004.<sup>248</sup>

As in much of Iraq, security in Ninewa province has improved significantly since 2007. According to ISF statistics, approximately 4,000 attacks occurred in August 2007, 500 in August 2008, 125 in August 2009, and 70 in August 2010.<sup>249</sup> But violence remains a daily fact of life in Mosul City, with recent incidents appearing to target ISF members, in contrast to the indiscriminate marketplace bombings of years past.<sup>250</sup>

The Iraqi Police have begun to assume control of parts of Mosul from the Iraqi Army; yet in conversations with SIGIR, Ninewa officials cited a shortage of local police as one factor contributing to the



Shopping district in Mosul City.

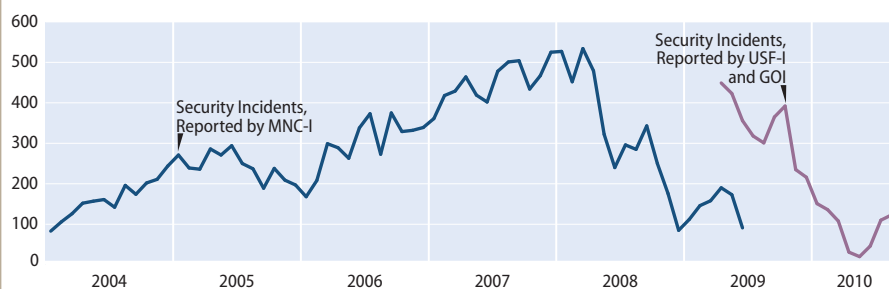
continued violence. Of the 8,000 police desired by provincial officials for Mosul, only about 700 have been hired, and only about 350 are getting paid.<sup>251</sup>

## High Unemployment

Since 2003, many Mosul residents have fallen on hard times, and the city's economy has struggled. In meetings with SIGIR officials this quarter, the Ninewa Investment Commission estimated unemployment at 30% and spoke



## MONTHLY SECURITY INCIDENTS IN NINEWA, 1/2004–8/2010



**Note:** Beginning in April 2009, USF-I began supplying SIGIR with security incident totals reported by both USF-I and the GOI.

**Sources:** MNF-I, responses to SIGIR data calls, 10/6/2008 and 7/2/2009; CENTCOM, responses to SIGIR data call, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data call, 3/31/2010 and 4/1/2010.

## SELECTED SECURITY INCIDENTS IN THE MOSUL AREA, 7/15/2010–9/30/2010

## July

- Saturday, July 17:** 3 Iraqi Army soldiers wounded by two IEDs.
- Monday, July 19:** Suicide car bomber strikes British security company convoy, killing at least 4 people.
- Thursday, July 22:** Imam shot and killed outside his home; IED kills 3 civilians.
- Saturday, July 24:** 2 police officers shot dead while manning checkpoint; hand-grenade attack on marketplace wounds at least 16 civilians.
- Wednesday, July 28:** 1 ISF soldier shot and killed in western Mosul.

## August

- Monday, August 2:** IED kills 1 Iraqi Army officer south of Mosul.
- Wednesday, August 4:** IED wounds 2 Iraqi police officers.
- Friday, August 6:** ISF soldiers defuse bombs planted under electricity transmission towers south of Mosul.
- Sunday, August 8:** Governor of Ninewa province survives assassination attempt; 2 people killed and several wounded; hand-grenade attack on market wounds approximately 9.
- Monday, August 9:** Two IED attacks on ISF convoys injure 8 soldiers.
- Thursday, August 12:** 1 Iraqi Army soldier killed and 2 injured in attack on checkpoint in western Mosul.
- Sunday, August 15:** IED attacks kill 2 police officers and wound 3 others.
- Thursday, August 19:** 1 Police officer shot and killed in western Mosul; IED attack on judges' motorcade in central Mosul results in no casualties; subsequent IED attack at the same location wounds several ISF personnel.
- Saturday, August 21:** Gunmen kill 1 police officer in western Mosul.
- Wednesday, August 25:** Car bomb in western Mosul kills several and wounds 20.
- Friday, August 27:** Iraqi police defuse IED planted near investigative judge's house north of Mosul.

## September

- Friday, September 3:** IED attack injures 2 Iraqi Army soldiers in western Mosul; IED attack kills 1 police officer.
- Wednesday, September 8:** Gunmen kill 1 television journalist in eastern Mosul.
- Thursday, September 9:** ISF frees 2 kidnapped businessmen and detains 3 of the captors.
- Wednesday, September 15:** 1 Ministry of Electricity employee assassinated in southern Mosul.
- Monday, September 20:** 1 Police officer shot and killed in central Mosul.
- Tuesday, September 21:** Three IEDs detonate in western Mosul, killing and injuring more than 12 police officers.
- Friday, September 24:** Suicide bomber shot by police outside mosque; 1 police officer reported killed.
- Saturday, September 25:** IED detonates near police patrol, wounding 4.
- Monday, September 27:** 3 killed and 10 injured in a series of attacks in Mosul.

**Note:** The security incidents cited above are intended to provide a sense of the types of violence occurring in the greater Mosul area this quarter. This is not intended to be a comprehensive list of all security incidents.

**Sources:** SIGIR analysis of open-source Arabic- and English-language documents.

of the large segment of underemployed Iraqis in the province.<sup>252</sup>

### Electricity Shortages Check Economic Growth

Ninewa province has struggled to keep pace with the rising demand for electricity that has swept Iraq since 2003. The provincial Director General for Transmission

places province-wide demand at 1,900 MW, but estimates that Ninewa only draws about 460 MW–500 MW from the national grid. Hospitals, water plants, and the cement factories receive priority, which has led to Mosul residents sometimes receiving as little as 4 hours of power in a 24-hour period. Moreover, insurgents continue to target the transmission towers

that bring power to the city, and an attack this quarter on the Mosul Gas power plant halted service there for two days. To mitigate these shortages, many residents have purchased generators.<sup>253</sup>

### State-owned Enterprises

There are 11 state-owned enterprises (SOEs) based in Mosul, primarily in the manufacturing sector.<sup>254</sup> A closer look at two SOEs illustrates their continued importance to the local economy and the profound challenges that confront them as they struggle to adapt to a free-market economy.

- **Northern Cement State Company.**

The six cement plants in Mosul have a total production capacity of 3.7 million tons per year. They employ about 4,000 people. But due to a lack of electricity, the plants produce only about 1.5 million tons per year. Five of the 10 production lines have stopped working because of power shortages. Notwithstanding these problems, the Northern Cement State Company is one of only two SOEs in the province capable of paying employees out of the revenue it generates (instead of relying on subsidies from the central government).<sup>255</sup>

- **Textiles SOE.** Four companies operate as part of this SOE, each with a different specialty: textiles, sewing, gauze, and cotton. The SOE employs about 5,000 individuals, and until 2008, it was able to meet about 50% of payroll from revenue it generated through sales. But according to its director, a flood of cheap imports undercut the products' ability to compete, and the enterprise now relies primarily on subsidies from the Ministry of Industry and Minerals to pay its employees.<sup>256</sup>

### A Challenging Investment Environment

Mosul's struggle to transform its economy from one dominated by the public sector to one capable of attracting

domestic and foreign investment capital illustrates in microcosm many of the problems faced by the rest of Iraq. The Ninewa Investment Commission reports that it has approved 29 joint investment projects for the province, pairing local businesses with international investors. Nine projects, valued at about \$50 million, are currently underway, including a housing complex, a mall, a maternity hospital, and a luxury hotel. As for the 20 projects that have been approved but have yet to break ground, the commission cites these reasons for delays:<sup>257</sup>

- **Security concerns.** Local officials reported to SIGIR that the perception of Mosul as a hotbed of insurgent violence adversely affects their ability to attract foreign companies. The multitude of ISF checkpoints that dot the city also make it difficult to conduct daily business, often turning short trips into day-long excursions.
- **Bureaucracy.** The sclerotic nature of the various permitting and approval processes causes lengthy delays in moving projects from the planning phase to implementation.
- **Uncertain land title.** Incomplete or missing deeds and property-transaction records often preclude parties from knowing who owns a particular parcel of land.
- **Corruption.** The scourge of corruption damages the investment environment, and the Mosul commission said it is taking steps to streamline the approval process for foreign investors and to encourage the activities of the local Commission of Integrity office.

Notwithstanding these challenges, the Provincial Reconstruction Team (PRT) in Ninewa reported that several U.S.-based companies, including General Electric, have recently sent delegations to Mosul to explore investment opportunities. Moreover, Spanish, Turkish, Italian, Canadian, South

African, and Angolan firms have all either invested in Mosul or are actively contemplating doing business there.<sup>258</sup>

## Banking

Mosul's banking sector remains underdeveloped. Officials from one private Iraqi bank based in Mosul report that while customer deposits doubled between 2007 and 2009, strict guarantee requirements and systemic inefficiencies keep overall banking activity relatively low.<sup>259</sup>

According to local Iraqi financiers, as of September 2010, only about 3,500 loans, with an aggregate principal amount of \$25 million, were outstanding in Ninewa province—or about \$8.93 per resident.<sup>260</sup> As one Mosul banker remarked to SIGIR this quarter, local people generally just do not deposit their money in banks, preferring to keep cash on hand to deal with the myriad contingencies they may encounter on any given day.<sup>261</sup>

## Housing

Mosul's economic development is also inhibited by a persistent housing shortage.

Local officials estimate that 250,000 new housing units will be needed over the next five years, but that only about 20,000 are currently under construction.<sup>262</sup>

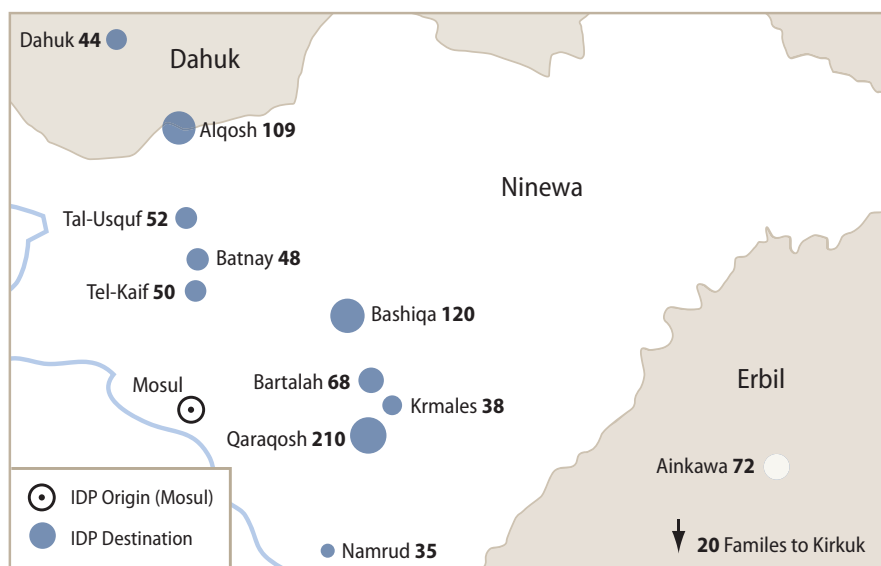
## Humanitarian Situation

The persistent instability in and around Mosul has caused many residents to flee their homes in search of safety. Earlier this year, the UN reported that more than 5,000 people—including a significant number of Christian families—were displaced from Mosul.<sup>263</sup>

U.S. assistance to minority (for example, Arab Christian) communities in Ninewa province is currently earmarked at about \$10 million.<sup>264</sup> PRT Ninewa uses these funds to support a variety of sustainable initiatives, including local agricultural projects and programs intended to assist small businesses.<sup>265</sup> However, additional high-profile U.S. assistance explicitly earmarked for Ninewa's minorities could potentially engender resentment on the part of the province's Sunni Arab and Kurdish

## MOSUL IDP MOVEMENT, 2/2010–3/2010

Families Displaced



Source: UN, OCHA, "Iraq: Displacement in Mosul," Situation Report No. 3, 3/6/2010.



population if the United States were perceived as favoring certain religious or ethnic groups at the expense of others.

## U.S. Presence and Programs

As of September 2010, Ninewa province falls within the U.S. 3rd Infantry Division's area of operations, with elements of the 2nd Advise and Assist Brigade (AAB) stationed in Mosul. The 2nd AAB works with local Iraqi Army and police units to help them achieve

self-sufficiency and also remains ready to assist local authorities in other matters on an "as requested" basis.<sup>266</sup>

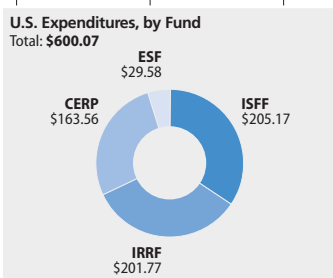
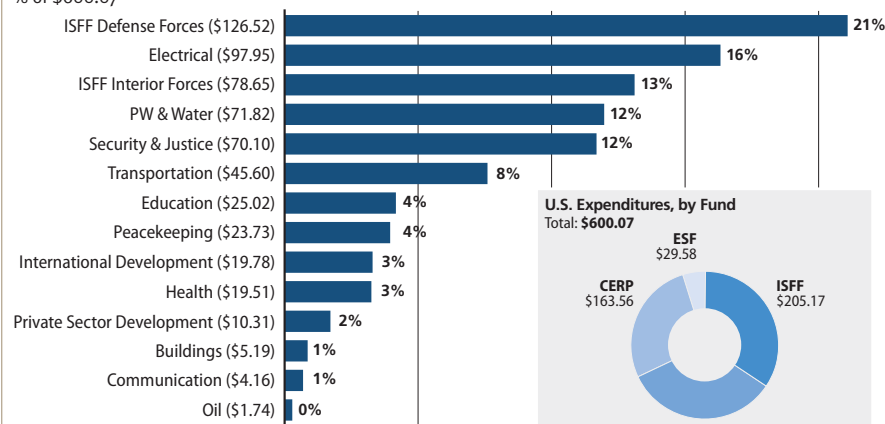
The AAB also supports ongoing reconstruction programs and provides security escort for PRT Ninewa's 60 personnel. The PRT reported making about 12 trips per week (8 from its Mosul office and 4 from its Tellafar branch office) to oversee project activities this quarter. About \$30 million in CERP-, QRF-, and USAID-funded projects are currently ongoing in the province.<sup>267</sup>

## U.S.-FUNDED INFRASTRUCTURE PROJECTS IN MOSUL, TEL-KAIF, AND AL-HAMDANIYAH DISTRICTS

\$ Millions

### U.S. Expenditures, by Project Category

% of \$600.07



Note: Numbers affected by rounding.

Source: IRMS, *Global Benchmark*, 9/3/2010.

USF-I support for PRT Ninewa is scheduled to end in June 2011. At that time, DoS will become responsible for securing the PRT's successor organization, which is expected to be operational in Iraq for another three to five years. A liaison from DoS's Diplomatic Security Service is currently working with the military to plan for an effective transition.<sup>268</sup> Several USAID programs will also continue work in the Mosul area to develop local communities, improve governance capacity, institute modern agriculture techniques, and provide microfinance lending for small-business initiatives.

Since 2003, the United States has expended more than \$600 million on reconstruction projects in the Mosul area, the greatest expenditures going to support the Iraqi Security Forces. As of September 30, 2010, the United States had expended more than \$45 million on projects at the Mosul Dam—the largest reconstruction effort in Ninewa province.

## SIGIR Oversight

Since 2006, SIGIR has conducted on-site inspections of 12 U.S.-funded projects in the Mosul area, which includes the districts of Mosul, Tel-Kaif, and al-Hamdaniyah. ♦



SIGIR officials meet with GOI officials in Mosul, September 2010.

## USAID PROGRAM ACTIVITIES

Local Governance Program (LGP)	Since 2003, the LGP has been working to assist the governor's office to improve financial management and oversight of capital projects, prepare budgets, implement civil-service reforms, and improve water and wastewater services. Other LGP activities have supported the Provincial Council in developing legislation, reviewing and inspecting provincial projects, and developing a five-year provincial development plan.
Community Action Program (CAP)	The latest phase of this USAID program, CAP III, has completed four projects in Mosul, valued collectively at \$335,916. These projects funded construction of a sports facility and multi-purpose hall, as well as expansion of the local electrical network and rehabilitation of the potable water system for the Ba'asheqa subdistrict.
Provincial Economic Growth Program (Tijara)	USAID has funded three microfinance institutions in the Mosul area. As of September 30, 2010, these institutions had provided a combined total of 464 Small- and Medium-Enterprise (SME) loans, valued at \$1,032,749.
Inma	Since 2007, the <i>Inma</i> agriculture program has expended approximately \$3 million for activities to develop farming capacity in the Mosul area. USAID provided feed and seed, as well as training in greenhouse production, irrigation, and business management for local farmers.

Source: USAID, response to SIGIR data call, 10/4/2010.

## SIGIR OVERSIGHT IN MOSUL AREA

ASSESSMENT NUMBER	PROJECT NAME/ FUNDS	CONTRACTOR	MET CONTRACT SPECS
SIGIR PA-06-034 4/2006	Mosul Air Traffic Control Tower and Navigational Aids \$10,329,474 (IRRF)	Local	Yes
SIGIR PA-06-035 4/2006	Ninewa Village Roads Segment 3 \$1,119,476 (IRRF)	Local	Yes
SIGIR PA-06-072 10/2006	Ninewa Provincial Police Headquarters \$1,000,000 (IRRF)	Local	No
SIGIR PA-06-073 10/2006	Bab Eshtar Substation 11-kV Feeder Cable \$1,220,000 (IRRF)	Local	Yes
SIGIR PA-06-091 4/2007	Bab Shams Police Station \$353,400 (IRRF)	Local	No
SIGIR PA-06-092 4/2007	Gaugli-Ashur Police Station \$881,188 (IRRF)	Local	Yes
SIGIR PA-07-105 10/2007	Relief and Reconstruction Funded Work at Mosul Dam \$27,100,000 (IRRF)	Multiple Contractors	No
SIGIR PA-07-106 10/2007	Right Bank Drinking Water Treatment Plant Rehabilitation \$1,714,233 (CERP)	Local	Yes
SIGIR PA-07-107 10/2007	Showairrej to Tak Harb Road Paving \$1,439,175 (CERP)	Local	Yes
SIGIR PA-07-108 10/2007	Bartilla New Road Paving \$147,560 (CERP)	Local	Yes
SIGIR PA-07-109 10/2007	Bartilla Booster Pump Station Repair \$237,000 (CERP)	Local	No
SIGIR PA-09-183 1/2010	Hammam Al Alil Regional Training Center \$5,028,566 (ISFF)	Local	Yes



**Mosul Airport Tower**  
SIGIR inspectors determined that this \$10.3 million IRRF project to construct the air-traffic control tower and an adjoining 2-story administration building was adequately designed and progressing consistent with contract objectives. The contractor's high-quality concrete operations contributed significantly to the successful outcome, and USACE quality assurance representatives were on site every day managing work, which took place on an active runway. This project served as an excellent example for sustainment of U.S. projects, providing one-year warranties for installed equipment and operations, spare parts, and training.

### Mosul Dam

Two years into a project to improve a critical grouting system at the Mosul Dam, SIGIR inspectors found that \$27 million of the IRRF had yet to significantly improve basic capabilities for the Iraqi Ministry of Water Resources. SIGIR's review of 21 contracts associated with the project uncovered indications of fraud, which were forwarded to SIGIR investigations. As of September 30, 2010, the United States had invested more than \$45 million at the Mosul Dam under 49 contracts.



(USACE photo)

### Hammam Al Alil Regional Training Center

SIGIR's inspection concluded that this \$5 million ISFF project to construct facilities for 2,400 Iraqi soldiers met design standards and was proceeding according to contract specifications. Work included design and construction of 15 buildings and associated latrines, as well as installation of water, electricity, and waste systems. SIGIR found sustainment planning adequate and noted that government quality assurance personnel were performing well.



# DEVELOPMENTS IN IRAQ

GOVERNANCE	66
SECURITY	71
SPECIAL FEATURE: <i>COUNTING CASUALTIES</i>	79
RULE OF LAW	80
ECONOMY	87
PUBLIC SERVICES	101

SECTION

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4

## GOVERNANCE

As of October 20, Iraq's Council of Representatives (CoR) had yet to agree on who should be the country's Prime Minister. For information on this protracted process of government formation, see Section 1 of this Report. Notwithstanding the delay in forming a new government, the Government of Iraq (GOI) ministries continue to conduct daily business under the supervision of directors general and other second- and third-level officials.

### U.S. Capacity-development Programs

The United States administers several long-running capacity-development programs aimed at assisting all levels of the Iraqi government—national, provincial, and local. U.S. programs have, for example, worked with the Ministry of Electricity to create an Electricity Master Plan under the Ministerial Capacity Development program, provided support for the March national elections under the Democracy and Civil Society Program, and rebuilt infrastructure through projects overseen by Provincial Reconstruction Teams (PRTs). For information on U.S. election support, see SIGIR's July 2010 Quarterly Report, and for more on the PRT program, see Section 3 of this Report.

#### National Capacity Development

As of September 30, 2010, the United States Agency for International Development (USAID) had expended \$264.65 million of the \$309.43 million allocated from the Economic Support Fund (ESF) to its National Capacity Development program (*Tatweer*, Arabic for "Development"). More than \$14 million was expended during this quarter to strengthen Iraq's national government.<sup>269</sup> USAID reported 225 personnel working on behalf of

*Tatweer* initiatives to develop GOI ministries; more than 70% are Iraqis.<sup>270</sup>

*Tatweer* staff have worked over the last two years with the Ministry of Planning and Development Cooperation (MoPDC) to create a road map for implementing more than 2,800 projects, at an estimated cost of \$186 million, under Iraq's newly approved *National Development Plan (2010–2014)* (NDP). As a complement to this work, *Tatweer* staff have completed automation of the approval form for capital budget projects, which is hosted in Iraq's Government Assistance Database (GAD). The GAD has now been formally instituted at the MoPDC, and all ministries and provinces will be required to use the electronic approval form to initiate capital projects.<sup>271</sup>

USAID and the United Nations Development Programme (UNDP) have entered into a partnership to implement a larger system that would host the GAD module and unify all other capital project databases currently tracked by the MoPDC. The new Iraq Development Management System (IDMS) will also host the Development Assistance Database module, which tracks international donor projects, as well as a new module to track NDP projects.<sup>272</sup>

As the work of *Tatweer* concludes, USAID has announced a new National and Provincial Administration Reform Project. USAID anticipates awarding one cost-plus-fixed-fee contract, valued at approximately \$175 million, to continue capacity building in the GOI. Objectives include support for civil-service reform, national policy management (including oversight of NDP implementation), and administrative decentralization. USAID expects cost-sharing with the GOI to be built in at a 1:1 ratio.<sup>273</sup>

#### Support for Provincial Governments

The current phase of USAID's Local Governance Program (LGP III) continues to support Iraq's

In 2010, there have been no mass migrations on the scale seen in the wake of the 2006 bombing of the Samarra mosque.

provincial governments in formulating and executing budgets, carrying out effective public outreach, and performing other essential functions. As of September 30, 2010, all of the \$150.96 million in ESF funds allocated to the program had been obligated, and nearly \$84.8 million had been expended—\$25 million during this quarter.<sup>274</sup> According to USAID, the results of LGP III capacity-building activities have begun to be demonstrated by Provincial Council members and other local government officials who are acting to provide more consistent enforcement of policies, increase public participation in decision making, and employ more effective financial management and budgeting processes.<sup>275</sup>

USAID reported that there had been considerable confusion this year about the due dates for Iraqi provincial budgets. When the Ministry of Finance (MOF) finally issued instructions for preparing 2011 budgets, it gave the provinces just two weeks to submit operations and maintenance (O&M) budgets, and deadlines for capital budgets remained ambiguous. Anticipating this, the LGP III provided advisory support to help prepare the budgets.

Baghdad province and city governments made sure all their data was in place even before the MOF instructions were released, and they were the only entities to submit both the O&M and capital budgets to the MOF by the June 30 deadline.<sup>276</sup>

## Community Outreach

USAID's current phase of the Community Action Program (CAP III) works to promote citizen participation in local governments. As of September 30, 2010, all of the \$179.90 million in ESF funds allocated to the program had been obligated, and more than \$117.90 million had been expended—more than \$26 million during this quarter.<sup>277</sup>

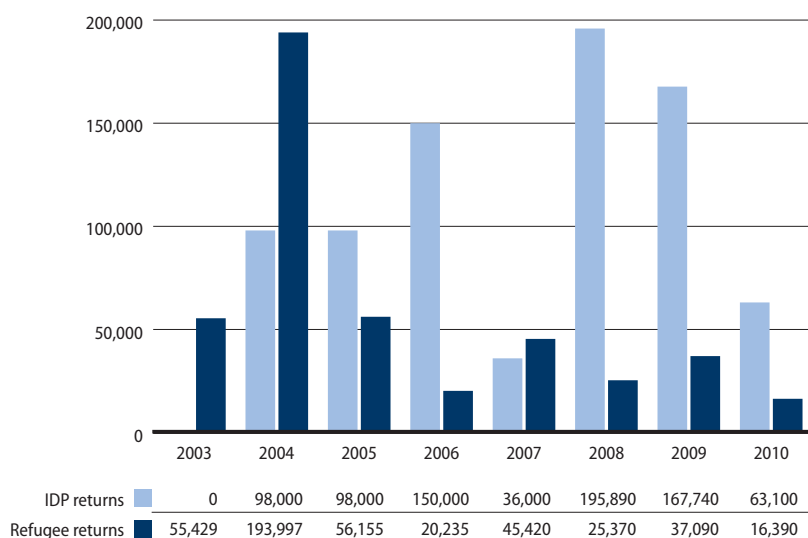
USAID reported providing training this quarter for hundreds of members of the more than 200 Community Action Groups it has established or reinstituted to plan and execute community-driven development projects that create jobs for Iraqis. CAP III projects are supported by cost-sharing commitments from local governments and communities, and they include initiatives to support widows, orphans, and minority populations. Additionally, the CAP III carries out projects funded by the Marla Ruzicka War Fund, which benefits Iraqis around the country who have been affected by military operations. This quarter, more than 207 of those projects were completed. USAID reported that the CAP III's end date has been extended from November 2010 to September 30, 2012.<sup>278</sup>

## Humanitarian Assistance

According to the UN, about 1.8 million Iraqis are refugees and another 1.55 million Iraqis are estimated to be internally displaced persons (IDPs) because they were forced to flee their homes amid sectarian violence.<sup>279</sup>

In 2010, there have been no mass migrations on the scale seen in the wake of the 2006 bombing of the Samarra mosque, but several incidents this year resulted in new displacements. In February and March, the UN reported that 866 families from

FIGURE 4.1  
IDP AND REFUGEE RETURNEES 2003–2010



Note: Information for 2010 is reported as of 7/2010. Numbers affected by rounding.

Source: UNHCR, "Monthly Statistical Update on Return," 7/2010, [www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf](http://www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf), accessed 9/15/2010.

Ninewa province fled to surrounding areas. The UN reported another 941 families displaced from May to July from northern border communities after cross-border bombing raids by the Turkish and Iranian air forces that targeted Kurdish militants. However, the UN reported that most of those displaced during the first two quarters of 2010 have returned home.<sup>280</sup>

Overall, the total number of IDPs and refugees returning to their homes in the first half of 2010 dropped by 29% compared with the first half of 2009. Figure 4.1 shows the number of returnees from 2003 through June 2010.<sup>281</sup> As Figure 4.2 shows, most IDPs and refugees who have returned in the last year have settled in Diyala and Baghdad provinces.<sup>282</sup>

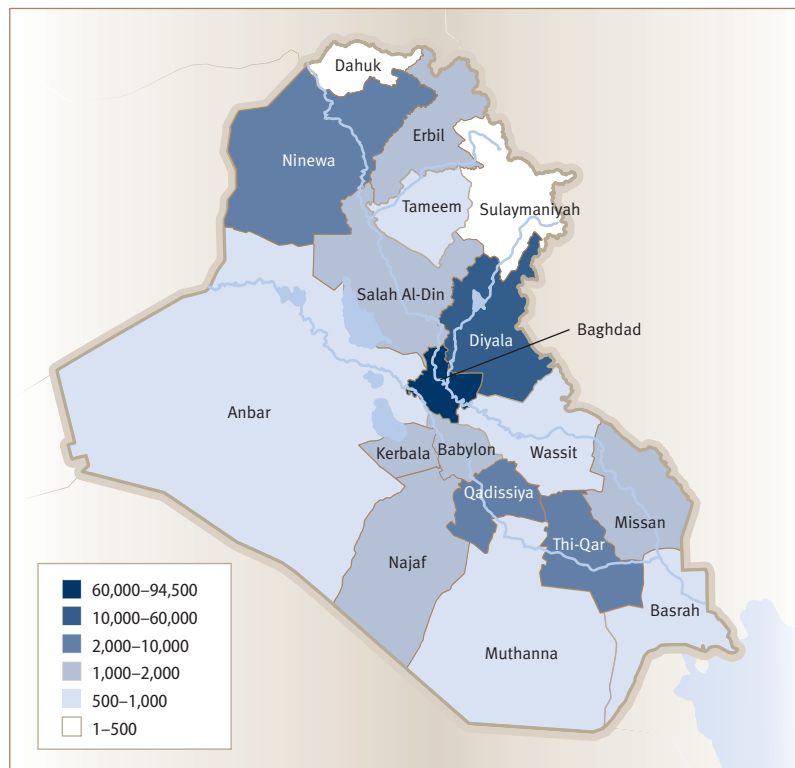
## USAID/OFDA Update

USAID's Office of U.S. Foreign Disaster Assistance (USAID/OFDA) assists IDPs and other vulnerable populations by providing life-saving support, improving living conditions, and mitigating the impacts of conflict-related and natural disasters. Its activities include distributing essential emergency relief commodities and shelter kits; expanding access to water, sanitation facilities, and essential health services; and providing income-generation opportunities and economic recovery support. In FY 2010, USAID/OFDA provided more than \$45 million in humanitarian assistance to vulnerable populations in Iraq, including IDPs. Nearly \$33 million of the total was committed this quarter.<sup>283</sup>

USAID/OFDA support enables grantees to respond rapidly when emergency needs arise in vulnerable communities and areas of insecurity. For example, when Iranian military forces carried out aerial attacks against Kurdish groups in Sulaymaniyah and Erbil provinces in May and June, a USAID/OFDA grantee (International Organization for Migration) provided emergency relief commodities from pre-positioned stockpiles in Erbil province to approximately 500 families, or 3,000 individuals.<sup>284</sup>

In addition, USAID/OFDA funds the International Medical Corps, which supports the

FIGURE 4.2  
RETURNEES BY PROVINCE, 2009–2010



Source: UNHCR, "Monthly Statistical Update on Return," 7/2010, [www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf](http://www.iauiraq.org/documents/476/Return%20Update%20IRAQ%20JUL%202010.pdf), accessed 9/15/2010.

Ministry of Displacement and Migration (MoDM) in operating Iraq's Return Assistance Centers (RACs). RACs facilitate the safe and voluntary return of IDPs and refugees to areas of origin by connecting them with GOI assistance to which they are entitled. As of June 2010, five RACs and branch offices had registered more than 167,000 returning IDPs and provided legal services to nearly 24,000 people.<sup>285</sup>

## DoS Bureau of Population, Refugees, and Migration Activities

The Program for Human Security and Stabilization, which is implemented by the International Organization for Migration, is an initiative with Iraq's Ministry of Labor and Social Affairs and

The UN reported that most of those displaced during the first two quarters of 2010 have returned home.



MoDM to focus on the socioeconomic reintegration needs of returnees and their host communities. The program works toward reintegration and sustainable income generation by building the capacity of the MoDM and strengthening local authorities. The Department of State (DoS) Bureau of Population, Refugees, and Migration funds program activities in eight provinces: Baghdad, Diyala, Ninewa, Anbar, Babylon, Basrah, Erbil, and Sulaymaniyah.<sup>286</sup>

### Diyala Initiative

The GOI-led Diyala Initiative focuses on facilitating the return and reintegration of persons displaced to and within Diyala province. The U.S. government and international partners support the effort, which is still in the early phase of implementation. Project activities include sector and vulnerability assessments at the village level, community-awareness health campaigns, rehabilitation of shelters in 63 villages, and rehabilitation or construction of schools. Preliminary plans are underway for the expansion of the Diyala Initiative to Baghdad.<sup>287</sup>

### Resettlement in the United States

Since FY 2007, almost 54,000 Iraqis have resettled in the United States—49,996 as refugees and at least 3,946 on Special Immigrant Visas (SIVs) that are awarded to select Iraqi translators and their dependents (DoS only tracks SIV holders who elect resettlement benefits through DoS's PRM).<sup>288</sup> For a historical look at Iraqi admissions to the United States since FY 2007, see Table 4.1.

### Progress toward Provincial Self-reliance

Since 2006, U.S. PRTs have been assessing development of provincial government capacities to govern effectively. In July, the latest Maturity Model Quarterly Assessment (MMQA) for 16 provinces was released, providing details of

TABLE 4.1

#### IRAQI ADMISSIONS TO THE UNITED STATES

FISCAL YEAR	NUMBER OF ADMISSIONS
2007	1,608
2008	13,822
2009	18,838
2010 through 9/22	19,674
<b>Total</b>	<b>53,942</b>

Source: DoS, PRM, response to SIGIR data call, 10/3/2010.

progress in five key areas: governance, political development, national unity (political reconciliation), economic development, and the rule of law. Admittedly based on the “subjective evaluations of behavior derived from the consolidated judgments of PRT personnel,” the MMQA rates provincial capacity in each area as beginning, developing, sustainable, performing, or self-reliant.<sup>289</sup>

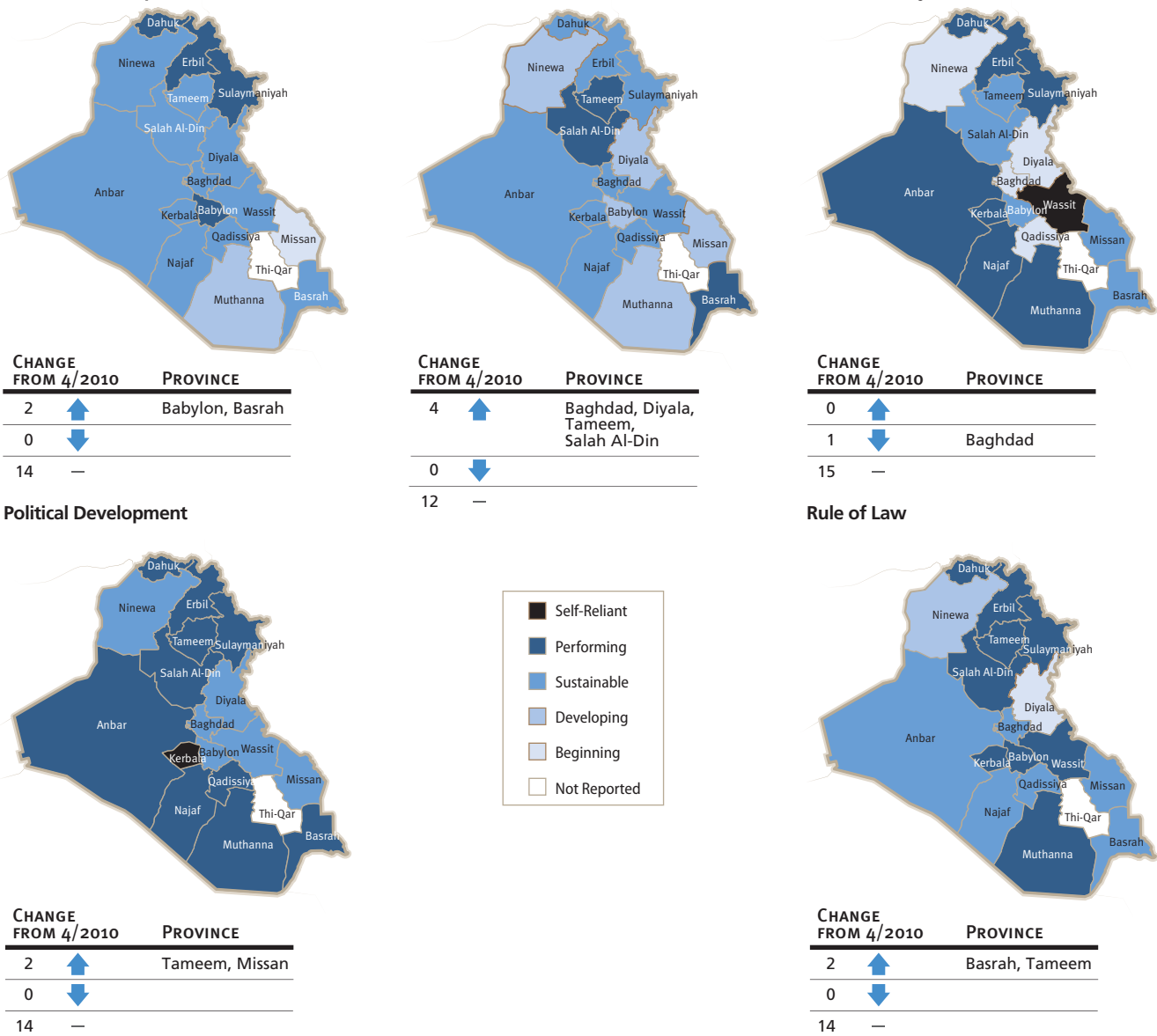
For an overview of the July 2010 assessment, see Figure 4.3. This quarter, there were few shifts in province rankings.<sup>290</sup>

- **Economic Development.** The MMQA reported increased levels of economic development in Babylon and Basrah provinces, attributable to a more robust banking sector and increased small-business activity. The other assessed provinces remained unchanged.
- **Governance.** Four provinces improved their performance, while the other 12 remained unchanged. In Baghdad, PRT members observed an increased level of media engagement with the Provincial Council and improved budget supervision. In Salah Al-Din, more transparent budget execution processes were reported. In Diyala, the PRT noted increased budget execution activity and more inclusive strategic planning processes. In Tameem, modest improvements were reported in the delivery of essential services and governmental transparency.
- **National Unity.** In assessing a province's level of “national unity,” PRT members observe how conflicts are resolved among conflicting parties and whether sectarian enclaves are moving toward mixed and reconciled communities.

Since FY 2007, almost 54,000 Iraqis have resettled in the United States.



FIGURE 4.3  
PRT MATURITY ASSESSMENTS, BY PROVINCE, AS OF 7/2010  
Economic Development Governance National Unity



**Note:** The Regional Reconstruction Team stationed in the Kurdistan Region reports on three provinces (Dahuk, Erbil, and Sulaymaniyah) as one entity.  
**Source:** U.S. Embassy-Baghdad, OPA, response to SIGIR data call, 8/30/2010.

Fifteen provinces remained the same, but Baghdad province declined—from “sustainable” to “developing.” Baghdad’s slide was attributed to acrimonious political wrangling among members of the Provincial Council and the continued segregation of many of Baghdad City’s formerly integrated areas into more distinctly Sunni and Shia neighborhoods.

- **Political Development.** Tameem and Missan provinces demonstrated improvements in political development. In Tameem, the PRT observed a marked increase in the local populace’s engagement in the political process, while in Missan, more incremental improvements were noted.
- **Rule of Law.** Improved rankings in Basrah and Tameem provinces recognized increases in judicial capacities. ♦

## SECURITY

ISF and civilians  
continue to suffer  
daunting casualties.

Iraq has remained susceptible to violence and insecurity through the post-election period of negotiations to form a new government, and a higher level of security is unlikely to occur until political progress and development are more fully realized. When the U.S.-Iraq Security Agreement (SA) went into effect on January 1, 2009, the Iraqi Security Forces (ISF) assumed immediate responsibility for ensuring the physical security of Iraqi citizens. On September 1, 2010, U.S. military support for that role transitioned formally to training and stability operations, with nearly 50,000 personnel operating under these mission requirements.<sup>291</sup>

- Advise, train, mentor, and equip the ISF to progress toward assuming a Minimum Essential Capability (MEC) standard.
- Conduct counterterrorism operations that are led by the ISF.
- Provide support to U.S. Embassy-Baghdad, the UN, and other organizations engaged in ministerial and institutional capacity development within the GOI.

These activities, however, are also transitory as the U.S. Forces-Iraq (USF-I) nears the SA deadline for U.S. forces to depart Iraq. Although currently scheduled for the end of 2011, the timing of U.S. redeployment remains subject to security conditions in the coming year, and transition plans for the U.S. Embassy and other agencies of the U.S. government will guide enduring aspects of the U.S. engagement with Iraq.

This quarter, the average number of security incidents per day was up significantly from last quarter (see Figure 4.4), but there was a notable drop in detonated mines and improvised explosive devices (IEDs), and violence coinciding with the Ramadan religious observance (August 11–September 11) was down nearly 18% from last year. Baghdad and provinces to the north, where tensions remain over



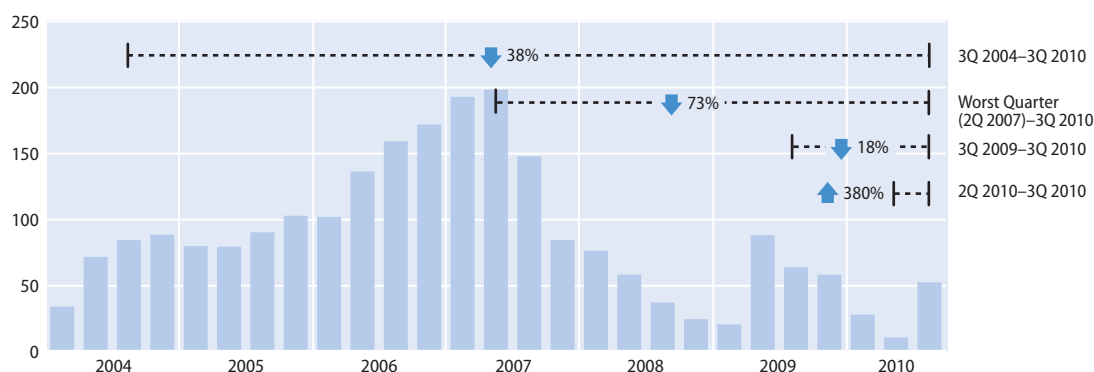
Destruction of unexploded ordnance at a location outside Bassami, Iraq, on July 13, 2010. (U.S. Army photo)

disputed areas, saw the largest drops. Violence was up from last year in Babylon, Basrah, Missan, and Anbar provinces.<sup>292</sup>

Notwithstanding improvement during Ramadan, which has traditionally been a time of increased violence, ISF and civilians continue to suffer daunting casualties. The Department of Defense (DoD) reported that, from June 1 to September 10, 2010, nearly 3,000 Iraqis (2,022 civilians and 904 ISF) were wounded and 784 Iraqis (499 civilians and 285 ISF) were killed. During the same period, 131 U.S. citizens (117 military personnel and 14 civilians) were wounded, and 10 U.S. citizens (8 military and 2 civilians) were killed.<sup>293</sup>

Coordinated, mass-casualty attack campaigns continue, reflecting the fragile state of security in the country. These attacks appear to be ethno-sectarian targeting or attacks against GOI institutions and their leadership. Leaders of the Sons of Iraq (SOI) continue to be targeted for assassination. Between July 1 and October 8, 2010, 32 SOI members and leaders were assassinated. According to DoD, insurgent groups, including al-Qaeda in Iraq (AQI), seek to diminish the effectiveness of the SOI through targeted killings and other forms of intimidation, as well as the co-opting of disgruntled SOI members who perceive the GOI has failed to honor its commitments to the program. The extent of infiltration reportedly varies by region.<sup>294</sup>

FIGURE 4.4  
AVERAGE SECURITY INCIDENTS PER DAY, BY QUARTER, 1/2004–9/2010



Sources: MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010, and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 7/7/2010, and 10/4/2010.

Overcoming the perception among the SOI and public that the GOI is not committed to the SOI program remains one of the biggest challenges. Persistent late pay, transition to menial jobs, lack of adequate ISF protection and support at the checkpoints, and the belief that SOI are being unfairly targeted for arrest all contribute to SOI distrust of the government. USF-I is reportedly working with the GOI to address these issues.<sup>295</sup>

This quarter, the International Zone (IZ), home to most central Iraqi government institutions and U.S. Embassy-Baghdad, came under daily mortar and rocket attacks. SIGIR personnel reported experiencing at least 23 major incidents during the month of September. One of the rockets hit the home of the former speaker of the Council of Representatives, injuring several of his body guards. Alarms sounded regularly at the Embassy compound this quarter.<sup>296</sup>

For an update on security indicators, see Figure 4.5.

## Security Incidents Up and Mass-casualty Attacks Continue

Overall, the average number of daily security incidents in Iraq has dropped 73% from the height of violence in 2007; but compared with last quarter, that number was up nearly five-fold. And although

mass-casualty attacks are down this quarter from last, DoS reported that AQI continues to carry out coordinated events—primarily against GOI institutions and the ISF—through multiple-device bombings and other methods. AQI's front group claimed responsibility for a suicide bombing on August 17 that left more than 50 Iraqis dead and at least 100 wounded. The victims had been waiting in line at an Iraqi army recruitment center when the attack occurred. Other attacks in August targeted local government and police forces across the country, and civilian marketplaces were bombed.<sup>297</sup> In an incident on September 19, 2010, six car bombs were set off in Baghdad and Falluja as part of a coordinated attack that killed at least 30 Iraqis and wounded more than 100.<sup>298</sup> On July 29, 2010, at least 16 security officials were assassinated in Adhamiya, a predominantly Sunni district in Baghdad.<sup>299</sup>

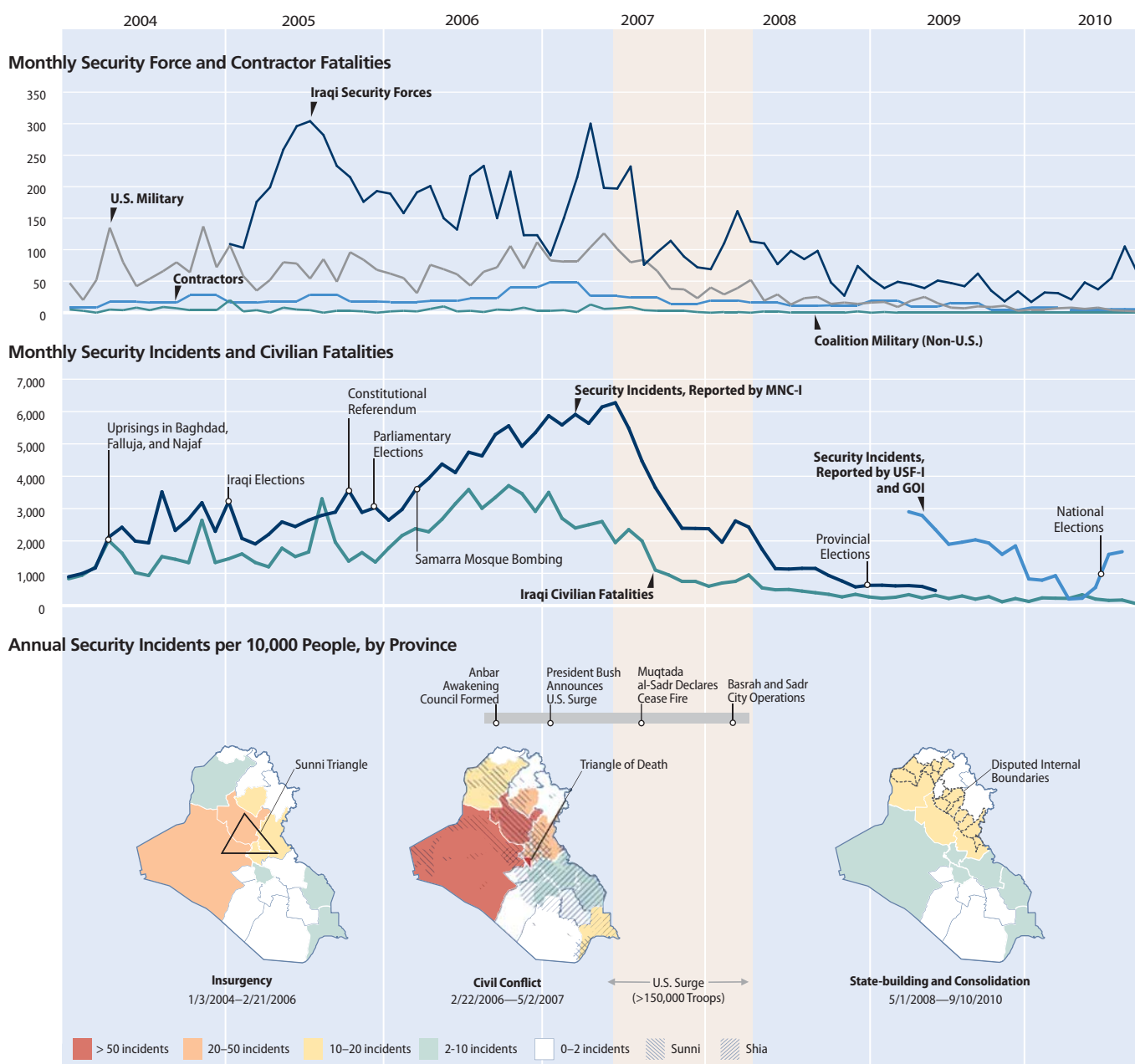
As a result of what appears to be an escalation of attacks on ISF personnel, traffic police this quarter began arming themselves with high-powered weapons.<sup>300</sup>

Alarms sounded regularly at the Embassy compound this quarter.

## Iraqi Security Forces

Although the transition to stability operations with an ISF lead appears to be generally on track, there are indications that the stalemate over government

FIGURE 4.5  
SECURITY INCIDENTS AND FATALITIES IN IRAQ, 1/2004–9/2010



**Note:** Data not audited. Numbers affected by rounding. "U.S. Surge" denotes period when at least 150,000 U.S. troops were in Iraq. ISF fatality data for deaths that occurred before 1/4/2005 is not available. Security incident data from two sources are displayed: MNC-I, for 1/1/2004–6/24/2009 and USF-I for 4/1/2009–9/10/2010 (USF-I incorporates GOI reports). Security incident data for September 2010 was excluded from the line graph due to incomplete data. Iraqi Security Force fatalities and Iraqi civilian fatalities for September 2010 are totals through 9/23/2010.

**Sources:** DoD, *Measuring Stability and Security in Iraq*, 2/2006–9/2009; DoL, responses to SIGIR data calls, 11/25/2009, 1/5/2010, 4/12/2010, 7/7/2010, and 10/7/2010; The Brookings Institution, *Iraq Index*, 9/30/2010, pp. 4, 5, and 13; SIGIR, *Quarterly Reports to the United States Congress*, 4/2009, 10/2009 and 1/2010; GOI, response to SIGIR data call, 12/21/2009; MNF-I, responses to SIGIR data calls, 10/6/2008, 7/2/2009, 3/31/2010 and 4/1/2010; CENTCOM, responses to SIGIR data calls, 1/10/2009 and 2/22/2010; USF-I, responses to SIGIR data calls, 3/31/2010, 7/7/2010, and 10/4/2010.

formation has been disruptive to the 2010 Training Plan called for by the SA.<sup>301</sup> Other challenges remain to the establishment of a fully capable ISF. These include the lack of a reliable and sustainable logistics system for the ISF, corruption within the services, and the inefficient allocation of resources (both human and fiscal).<sup>302</sup>

GOI reported that, as of September 30, 2010, nearly 800,000 security force personnel were assigned to the Ministry of Defense (MOD), Ministry of Interior (MOI), and the Iraqi National Counter-Terrorism Force (See Table 4.2).<sup>303</sup>

## Status of the MOD

According to the U.S. Iraq Training and Assistance Mission (ITAM), MOD's ISF units are now regarded as counterinsurgency (COIN)-operation capable, and the Iraqi Army (IA) is now able to generate a sustainable COIN force.<sup>304</sup> More than 197,000 soldiers have been trained and organized under 13 light infantry divisions and 1 mechanized division. An additional 46,500 soldiers have been through programs to prepare them for service as trainers for new soldiers and to manage operations and sustainment support functions.

Considerable work remains, however, for the MOD to achieve the desired MEC standard. Multiple non-commissioned officer (NCO) schools are operating and graduating NCOs—from small-unit leadership programs to weapons-specialty and large-organization leadership programs. ITAM reports that developing and professionalizing the NCO corps remains a challenge because the process of empowering the NCO ranks has faced cultural barriers.<sup>305</sup>

U.S. training for the MOD is conducted at nine centers, which accommodate up to 20,000 students in individual, leader, and group training courses.<sup>306</sup> The current training regime is focused on transitioning the IA from stability operations to external defense. It attempts to build on a train-the-trainer concept that has seen the MOD assume an increasing role in leading the program.

Training in mechanized and specialized equipment is also underway and critical in addressing

TABLE 4.2

IRAQI SECURITY FORCES, AS OF 9/30/2010

SERVICE	ASSIGNED PERSONNEL
Ministry of Defense <sup>a</sup>	Iraqi Army (IA)
	205,410
	Training and Support
	46,500
	Air Force
	5,000
	Navy
	3,000
	<b>Total MOD</b>
	<b>259,910</b>
Ministry of Interior <sup>a</sup>	Iraqi Police
	301,286
	Iraqi Federal Police
	43,957
	Border Enforcement
	60,605
	Oil Police
	29,411
	Facilities Protection Service (FPS)
	94,000
	<b>Total MOI</b>
	<b>529,259</b>
Special Forces	4,120
<b>Total</b>	<b>793,289</b>

Note: Numbers affected by rounding.

<sup>a</sup> Assigned numbers illustrate payroll data; they do not reflect present-for-duty totals.

Source: GOI, MOI IG, response to SIGIR data call, 10/5/2010.



Commandos with the 10th Iraqi Army Division load onto U.S. Army helicopters during air assault training at Forward Operating Base Garry Owen, Iraq, on June 28, 2010. (U.S. Army photo)

Iraq's capacity to address external threats. In addition to the ongoing tank training programs (which are planned to stretch into late 2011), proposed training in towed howitzers is projected to run from 2011 until mid-2012. In addition, ITAM-Air Force is currently training 12 instructor pilot candidates to serve as instructors in the T-6A aircraft. The first four instructor pilots are expected to complete training by summer 2011, and the remaining eight by fall 2011.<sup>307</sup>

According to ITAM, IA logistics and sustainment capability will likely fall short of the MEC standard when U.S. forces redeploy in December



2011.<sup>308</sup> Although the commands and bases to support logistics and sustainment are largely in place, ITAM reports that maintaining the equipment and infrastructure built with the Iraq Security Forces Fund (ISFF) and managing the resources to carry out the mission continue to be challenges.<sup>309</sup>

### SIGIR Audit of U.S. Training for Iraqi Special Operations Force

SIGIR's audit of the Iraqi Special Operations Force (ISOF) Program found that the ISOF's demonstrated ability to independently conduct operations and missions and to sustain its equipment and facilities was indicative of the program's success. On the other hand, the long-term success of the ISOF lies in the GOI's handling of two notable challenges. First, the command structure put in place by the Prime Minister raises concerns about how the force will be used in the future. Second, GOI support is uncertain as seen by its lack of a dedicated budget for the ISOF, resulting in poor logistical and recruiting support and irregular payment of specialty pay. Although SIGIR determined that the total cost of the U.S. program is unknown, at least \$237 million of the ISFF was expended to equip and sustain the ISOF.<sup>310</sup>

The command structure put in place by the Prime Minister raises concerns about how the force will be used in the future.

### Kurdish Security Forces

The Kurdistan Regional Government (KRG) continues to make progress in its strategic goal of clarifying the roles of its Kurdish Security Forces, which include: Peshmerga (military), Zervani (police),<sup>311</sup> Asai'ish (internal security), and Parastin/Zenyari (intelligence). The integration of a trained, organized, and equipped Peshmerga into the ISF remains part of the KRG strategy to protect Iraq's borders and provide security along Iraq's disputed internal boundaries. Kurdish officials estimated that there are about 190,000 total Peshmerga personnel, and about 100,000 of them are currently on active duty.

In addition to patrolling the external and disputed internal borders of the Kurdistan Region, Peshmerga troops have also been called on by the GOI to participate in ISF security operations in



The first 11 of 140 U.S. tanks to be delivered under a purchase agreement with the GOI arrive in Iraq's Port of Umm Qasr on August 7, 2010. (USF-I photo)

Iraq's other 15 provinces. In conversations with SIGIR, the KRG's Minister of Peshmerga Affairs stated that current plans call for raising two new Peshmerga divisions, each numbering about 15,000 troops. He noted that Peshmerga soldiers require more advanced training—especially in intelligence collection and analysis—but the KRG lacks a sufficient budget to fund such programs.<sup>312</sup>

More than 500 soldiers from the ministry began their basic-combat training course in Sulaymaniyah on August 2, 2010. The 11-week course is conducted to IA standards of performance and includes instruction on first-aid, leadership, marksmanship, navigation, and security operations. Once training is complete, the soldiers are slated to return to Qara Anjir, near Kirkuk, for their assignments.<sup>313</sup> ITAM notes that it has one ongoing initiative to assist the integration of KRG forces into the ISF.<sup>314</sup>

### Equipment Capability: Foreign Military Sales

As of September 30, 2010, the GOI reported that 171 cases worth \$5.92 billion had been obligated by a Letter of Offer and Acceptance through the Foreign Military Sales (FMS) program. Iraq has purchased tanks, helicopters, naval patrol boats, training aircraft, and other equipment to improve the capabilities of its army, navy, and air force. To operate and maintain this equipment, Iraq also has used FMS to purchase training, support equipment, spare parts, and maintenance

and repair packages. The value of cases already delivered to the GOI totals more than \$2.8 billion in equipment purchases and nearly \$1.2 billion in other types of purchases, including the Umm Qasr port rehabilitation.<sup>315</sup>

According to a recent Government Accountability Office (GAO) report, the security ministries have used FMS transfers as a means of setting aside funds that remained unspent at the end of the fiscal year. For example, in April 2010, officials at the MOD said that they had received Ministry of Finance approval to transfer \$143 million of its unspent 2009 funds into the FMS account. Similarly, officials from the MOI said that they planned to transfer \$300 million–\$350 million in unspent 2009 funds to the FMS account. If approved, the MOI has said that this would be the fourth consecutive year in which it has executed a transfer after the end of the calendar year. Table 4.3 provides a summary of Iraq’s annual funds transferred to the Federal Reserve Bank of New York for FMS purchases through 2009.<sup>316</sup>

The United States is also using the ISFF to supplement Iraq’s FMS purchases. Under seven arrangements, the United States contributed about \$550 million to purchase equipment and services.<sup>317</sup>

As part of an FMS sales agreement between the U.S. government and the GOI, the first 11 of 140 M1A1 Abrams tanks for the Iraqi Army arrived this quarter. The remaining 129 tanks and seven recovery vehicles are scheduled to be delivered in monthly increments until about December 2011.<sup>318</sup> The GOI also received both aviation and maritime components of its FMS purchase program this quarter. The Iraqi Air Force received three



An Iraqi Air Force training aircraft shuts down after landing at Contingency Operating Base Speicher, near Tikrit, Iraq, on September 21, 2010. (U.S. Army photo)

T-6A Texan II training aircraft—the third group of planes to be delivered since December 2009.<sup>319</sup> Additionally, in conjunction with Navy Day in Iraq (September 26), the MOD oversaw a christening ceremony for Iraq’s inaugural Swiftship patrol boat. Fourteen additional U.S.-built Swiftships are scheduled for future delivery to the Iraqi Navy.<sup>320</sup> The T-6A and Swiftships programs are jointly funded by the two governments; the United States has assumed approximately 55% of the total cost of these two FMS purchase programs.<sup>321</sup>

This quarter, 22 M1-17 Russian-made helicopters were purchased for Iraq through the FMS program—14 funded by the GOI and 8 funded through the ISFF. The first two were delivered in August 2010, and the next four are scheduled for delivery in November 2010. Deliveries are expected to continue through next year.<sup>322</sup>

On September 25, 2010, the U.S. Administration approved Iraq’s request for 18 new F-16 aircraft for Baghdad’s Air Force. Officials said that DoD has notified the Congress of the proposed sale, estimated to be worth \$4.2 billion. The proposed sale would allow the Iraqi Air Force to modernize

The first 11 of 140 M1A1 Abrams tanks for the Iraqi Army arrived this quarter.

TABLE 4.3

## FUNDS SET ASIDE FOR FMS PURCHASES BY THE MOD AND MOI, 2006–2009

\$ Millions

	2006	2007	2008	2009	TOTAL
Ministry of Defense	1,638	1,100	1,551	0	4,290
Ministry of Interior	169	0	671	404	1,244
<b>Total</b>	<b>1,807</b>	<b>1,100</b>	<b>2,223</b>	<b>404</b>	<b>5,534</b>

Source: GAO Report GAO-10-304, “Iraqi-U.S. Cost-Sharing,” 9/2010, p. 22.



its inventory by acquiring Western interoperable fighter aircraft, thereby enabling Iraq to support its air-defense needs and coordinate more effectively with other foreign air forces.<sup>323</sup>

### Status of the MOI

According to DoD assessments, the MOI security force is significantly behind the MOD in the attainment of the MEC standard. Only the Federal Police and Oil Police are currently assessed to be operationally capable, and the Iraqi Police (IP), Department of Border Enforcement, and Port of Entry services have demonstrated a basic capability and improving technical skills. All MOI security forces, however, are expected to have gaps in funding, command and control, and logistical infrastructure through the time of the U.S. forces drawdown in December 2011.<sup>324</sup> DoD has recently raised the concern that, should Iraq's police forces not achieve MEC prior to transition of U.S. training to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) Police Development Program, starting in July 2011, there could be enduring gaps in police capability.<sup>325</sup>

ITAM conducts MOI training at 36 active training centers, 29 of which are supported by INL-supplied international police advisors. Training centers include police colleges and a range of centers for other services, from River Police and Federal Police training centers to Border Enforcement, Ports of Entry, and Facilities Protection centers.<sup>326</sup> The current focus—in addition to the one-time task of training and integrating the Facilities Protection Service (FPS)—is to have a professionally trained, sufficiently manned police force that is capable of defeating insurgencies, of creating an environment of internal security, and of enforcing the rule of law.<sup>327</sup> ITAM reported that almost 22,000 MOI personnel completed some form of training this quarter.<sup>328</sup>

### SIGIR Audit of Iraqi Police Training

In its recent audit of the Iraqi police training program, SIGIR found that DoD spent \$7.3 billion since FY 2004 to train, staff, and equip the Iraqi



Kurdish Zeravani Police demonstrate hand-to-hand combat skills after completion of a specialized Italian Carabinieri training course at the Iraqi Federal Police Special Training Academy at Camp Dublin, Iraq, on September 27, 2010. (U.S. Army photo)

police. Although DoD reports that more than 400,000 Iraqi police have received training and are on the force, the capabilities of these forces are unknown because no assessments of total force capabilities have been made. SIGIR identified several weaknesses in U.S. program management, including program planning and assessments, communications and coordination between organizations performing the training, and oversight of contract police advisors. For more information, see Section 5 of this Report.<sup>329</sup>

### Status of the Facilities Protection Service

The FPS is tasked with securing and protecting more than 13,000 critical infrastructure locations throughout Iraq. These facilities include government buildings, mosques and religious sites, hospitals, schools and colleges, dams, highways, and bridges. First created by the Coalition Provisional Authority, the FPS comprises contractor and GOI employees who are assigned to particular ministries and operate under priorities set by those individual ministries. On January 1, 2007, the FPS was established as a general directorate, under the MOI. According to DoD, all but the Higher Judicial Council and the Ministries of Oil, Electricity, Industry, and Defense have transferred their FPS personnel to the new directorate.<sup>330</sup>

As of September 30, 2010, the FPS had approximately 94,000 personnel in service, including 17,000

DoD spent \$7.3 billion since FY 2004 to train, staff, and equip the Iraqi police.

full-time FPS police and 77,000 MOI contractors. The differences in employment status (and the related pay differential) have caused multiple problems because contractors earn only about half as much as the full-time police while facing the same hardships and dangers.

USF-I reported that MOI training for 76,000 contractors to join the IP was to start by October 1, 2010, but the plan had not been formally authorized by the Minister of Interior. The training program anticipated that the transition to full IP status for the FPS contractors would occur in 2011.<sup>331</sup> ♦

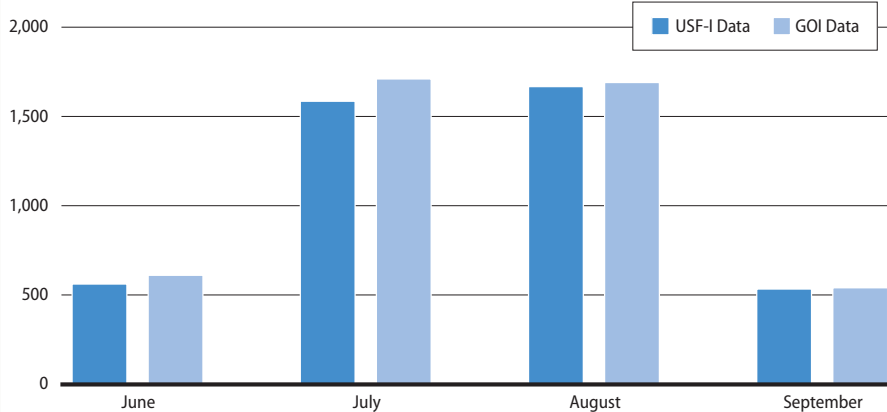


USF-I personnel train Iraqi police. (USF-I photo)

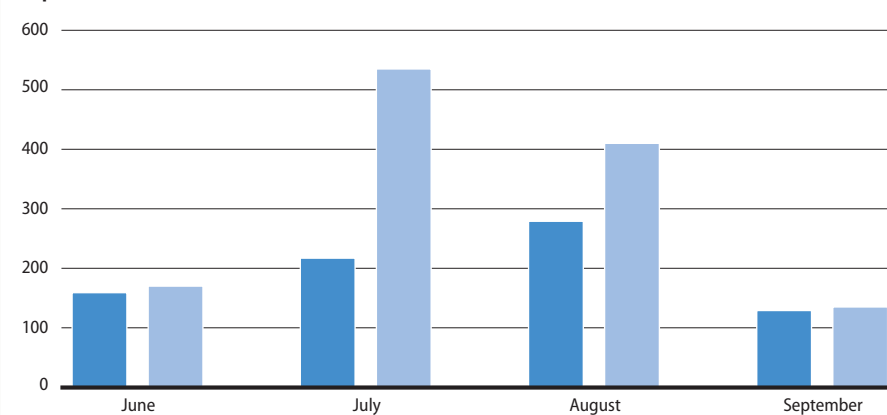
## COUNTING CASUALTIES

### 2010 SECURITY INCIDENT REPORTING, USF-I vs. GOI

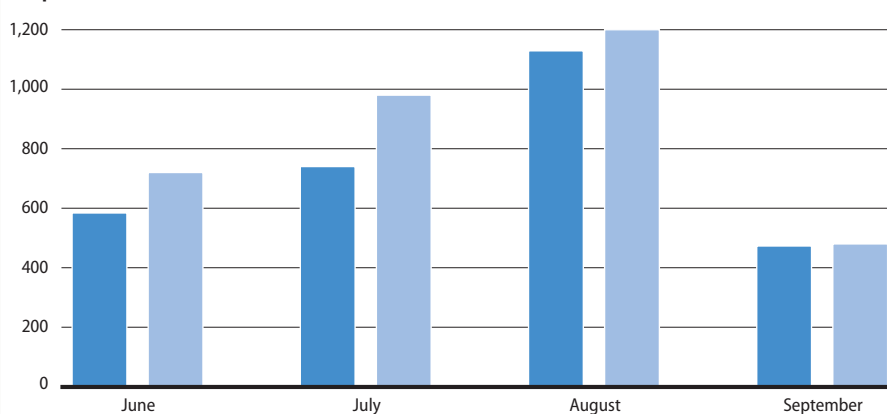
#### Security Incidents



#### Iraqis Killed



#### Iraqis Wounded



**Note:** September GOI data provided by the Ministry of Health; June–August GOI data provided by the Ministry of Interior; September USF-I data is incomplete (killed and wounded figures through 9/23; incidents through 9/10).

**Sources:** GOI, MOH, response to SIGIR data call, 10/2/2010; USF-I, response to SIGIR data call, 10/4/2010.

In early August 2010, USF-I publicly disputed the GOI's claim that July 2010 was the deadliest month for Iraqis since 2008.<sup>332</sup> According to USF-I data, 222 Iraqis were killed in July,<sup>333</sup> or less than half the 535 reported by the GOI. These discrepancies could be the result of several factors, including the still-uncertain security situation in Iraq, the smaller U.S. footprint, and the chaotic nature of the Iraqi health care system.<sup>334</sup>

This quarter, the GOI announced that the Ministry of Health will act as lead agency on casualty data, aggregating its own information on Iraqi civilians with information from the Ministry of Interior (for police casualties) and Ministry of Defense (for military casualties).<sup>335</sup> Although it is not clear whether the three ministries have uniform data-collection and reporting processes, USF-I has said that its officers will continue to work with Iraqi mid-level military officials to improve the accuracy of these reports.<sup>336</sup>

Acknowledging the difficulty of gathering timely and accurate information, USF-I's deputy commander for U.S. Division-Center stated that while he is "pretty comfortable" with the statistics collected by USF-I, they are not likely to be as accurate as they were when the United States had six or seven brigades in Iraq.<sup>337</sup> In September 2010, USF-I began reporting the Iraqi casualty numbers collected by GOI's Ministry of Health as its key source for Iraqi casualty information.<sup>338</sup>

## RULE OF LAW

INL, the Department of Justice (DoJ) and its Federal Bureau of Investigation (FBI) and Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), and other U.S. government agencies work with various GOI entities to reconstitute essential law enforcement and security institutions throughout Iraq. Members of the Iraqi judiciary, the Higher Judicial Council (HJC), MOI, and the Ministry of Justice (MOJ) are part of this collaborative effort. Within U.S. Embassy-Baghdad, the Office of the Rule of Law Coordinator (ORoLC), led by a DoJ official in Iraq, is responsible for coordinating these rule-of-law activities.<sup>339</sup>

As part of the RoL program, INL provides the necessary funding for U.S. federal prosecutors to serve as Office of Overseas Prosecutorial Development and Assistance Training (OPDAT) Resident Legal Advisors and to lead PRT rule-of-law activities, which focus on strengthening judicial capacity, security, and law-enforcement capabilities, as well as advancing commercial and property law. Other PRT RoL initiatives focus on improving anticorruption awareness and addressing detention and rehabilitation challenges for adults and juveniles. INL has managed courthouse security upgrades, developed data management systems with GOI partners, and provided funding for the Judicial Development Institute (JDI), which trains judges, administrative staff, and HJC security personnel.<sup>340</sup>

### Iraqi Justice System

Following the 2009 bombing of the MOJ, which was home to Iraq's judiciary, the HJC relocated some of its operations. The Central Criminal Court of Iraq (CCC-I) was moved to the JDI in Baghdad, and the HJC assumed principal responsibility for the operational costs of the CCC-I earlier this year.<sup>341</sup>

With the drawdown of U.S. forces, the USF-I liaison to the CCC-I has merged into and is now headed by the Law and Order Task Force (LAOTF). LAOTF continues to facilitate hearings and trials at CCC-I for detainees accused of terrorism and related crimes. LAOTF personnel act as liaisons to the judges and facilitate the prosecution of insurgents' cases. LAOTF coordinates the transportation of the detainees to court and also delivers evidence and available witnesses. Although it remains a challenge arranging for witnesses to appear in court to give testimony, the use of video conferencing between Iraq and the United States allows investigative judges to receive testimony of U.S. military members who are no longer in theater.<sup>342</sup>

### Courts

Iraq's court system continues to be overburdened by detainee cases. Civil and other cases outside the criminal system are proceeding almost normally except to the extent judges are diverted to handle the backlog in the criminal system, an effect that is difficult to measure. The HJC reported a backlog of 10,872 cases at the Karkh court and 11,557 cases pending at Rusafa court, as of June 2010. Between the first and second quarters of the year, docket backlog reportedly increased at Karkh by almost 9%; at Rusafa, the backlog grew nearly 13%.<sup>343</sup>

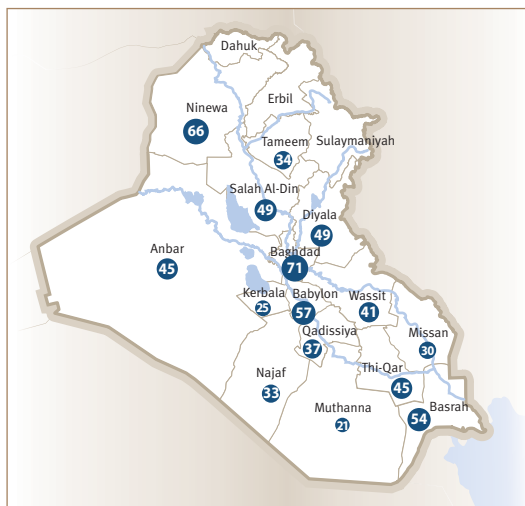
For the number of courts handling these cases around Iraq, see Figure 4.6.

### U.S.-funded Reconstruction at the Palace of Justice

The Rusafa Palace of Justice has been open for operation since September 2008. At the time of its opening, this \$11.6 million Iraq Relief and Reconstruction Fund (IRRF) project was considered a key element in a rule-of-law complex that would serve as a model for other provinces. The facility was built by the TAMA Company under contract

Iraq's court system continues to be overburdened by detainee cases.

FIGURE 4.6  
COURTS IN IRAQ



**Note:** The Higher Judicial Council did not provide the KRG court count.

**Source:** GOI, HJC, response to SIGIR data call, 10/2/2010.

The need for stronger judicial security remains critical.

to the U.S. Army Corps of Engineers (USACE), Gulf Region Division (GRD), according to the same design specifications used to build U.S.-funded courthouses at Karkh and Basrah.<sup>344</sup>

Almost immediately after opening, PRT Baghdad received reports of problems at the facility indicative of poor design, construction, and materials—many identified by Iraq’s Chief Justice. According to the PRT, its attempts to bring GRD’s attention to the issue and enforce the warranty on work performed there were unsuccessful. The PRT reported that GRD repaired some obvious problems but declined to address others, and the continuing deterioration of the courthouse has become a serious impediment to PRT engagement with the Chief Justice.<sup>345</sup> However, USACE reported that it was not contacted about warranty issues until after the warranty period had expired, and it had observed modifications by the occupants of the facility that precluded further work by USACE.<sup>346</sup>

To address these issues, as well as problems posed by a lack of maintenance, the Iraq Strategic Partnership Office (ISPO) is undertaking an

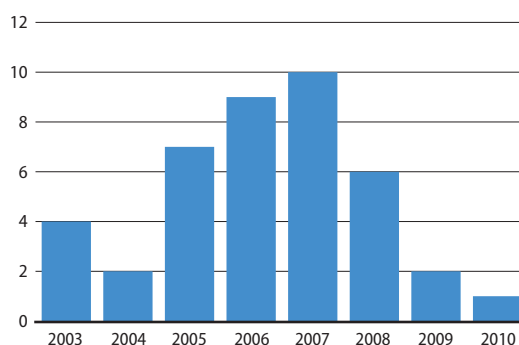
engineering study with USACE to ascertain all necessary corrective actions, along with their cost. Based on the results, ISPO plans to work with the HJC to determine which remedies would best be handled by USACE and which should be handled by the GOI.<sup>347</sup>

### Judicial Protection

INL funds and oversees a wide range of judicial development programs in Iraq, including a judicial security program that assists the GOI in providing secure judicial housing and training for the personnel who protect its facilities. INL has also completed upgrades to more than 20 courthouses and conducted a nationwide assessment to help the GOI develop its own capacity to enhance judicial and court security in the provinces.<sup>348</sup>

Notwithstanding these efforts, the need for stronger judicial security remains critical. See Figure 4.7 for the number of judges assassinated annually since 2003. In September 2010, INL was advised that the buildings at the JDI are being used to house senior judges in light of a recent national increase in attacks on judges. The HJC has responded by increasing staffing and other subsistence and security support for the full-time use of the facility.<sup>349</sup> In August 2010, the HJC began using security training materials that INL developed to train its new security staff at the JDI.<sup>350</sup>

FIGURE 4.7  
JUDGES ASSASSINATED, 11/13/2003–10/2/2010



**Source:** GOI, HJC, response to SIGIR data call, 10/2/2010.



## Prisons

GOI prisons are overseen by the MOJ, with the Iraqi Corrections Service (ICS) conducting daily operations. As of September 30, 2010, the ICS prison population included 11,750 pre-trial detainees and 12,269 convicts. The KRG operates its own corrections service, with a reported total prison population of approximately 2,223.<sup>351</sup>

At the end of this quarter, 219 detainees remained in U.S. custody. Since January 1, 2010, U.S. forces have released 405 detainees and transferred approximately 5,591 detainees to GOI custody.<sup>352</sup> During the quarter, four Iraqi detainees with alleged links to AQI escaped from U.S. custody at a Baghdad detention facility.<sup>353</sup> And in August, the escape last year of British aid worker Margaret Hassan's killer from an Iraqi-controlled prison was finally announced.<sup>354</sup>

A report published by Amnesty International in September highlighted many of the most pressing human rights issues confronting Iraq, including the status of detainees held by U.S. military forces and the ISF. The report's chief concern involved "thousands of detainees who have already spent considerable time in prison without charge or trial and who may be at risk of torture and other ill-treatment in Iraqi custody." Although Iraq's 1971 Criminal Procedure Code provides for the rights of detainees to humane treatment and speedy adjudication, Amnesty International argued that these safeguards have gone largely ignored, and the officials responsible for upholding them operate with impunity. The report strongly objected to the transfer of Iraqi detainees held in U.S. military custody to the GOI under arrest warrants or other agreements, warning that these prisoners may face torture, prolonged incarceration without fair hearing, and death sentences.<sup>355</sup>

The U.S. Embassy's ORoLC has initiated a Case Processing Working Group to study how to improve the investigation and processing of pretrial detainees in GOI detention facilities. Additionally, the Ministerial Committee on the Rule of Law for Detentions met in late September to continue its

efforts to bring together judges and investigating police, whose coordination remains critical to preparing and reviewing cases for adjudication.<sup>356</sup>

In an August 2010 meeting between Iraq's Deputy Minister of Justice and DoD, the GOI raised lingering concerns about prisons constructed by the U.S. government:<sup>357</sup>

- **Chamchamal Prison.** Last year, SIGIR inspected this \$29 million INL-funded facility and found that, although adequately constructed, Iraqi delay in staffing the facility prevented it from opening more quickly than would have otherwise happened. Although the MOJ participated actively in site visits and design reviews, the MOJ said this project is indicative of the U.S. government's failure to talk with and involve the GOI before building infrastructure projects.<sup>358</sup>
- **Basrah Prison.** On October 5, the Basrah Prison was turned over to the MOJ. This \$9.3 million prison has about 1,200 beds. For the first time, the MOJ engaged its own engineers in a prison closeout process, thus accelerating the handover of this facility. INL reported that it worked with advisors of DoJ's International Criminal Investigative Training Assistance Program to incorporate MOJ concerns into the final work requirements.<sup>359</sup>
- **Taji Prison.** MOJ officials explained that Taji prison personnel were having difficulty with re-fueling operations because the Taji facility is not equipped with any fuel storage tanks. DoD explained that the U.S. government preferred to use fuel trucks when the USF-I was operating the facility.<sup>360</sup>

During the quarter, four Iraqi detainees with alleged links to AQI escaped from U.S. custody at a Baghdad detention facility.

## Anticorruption

In March, the GOI's Joint Anti-Corruption Council released Iraq's *National Anti-Corruption Strategy for 2010–2014* (NACS), which outlines Iraq's anticorruption priorities and tasks specific GOI agencies with responsibility for detailed sets of goals. Preparation of the NACS was carried out

with assistance from the UNDP under a grant managed by the U.S. Embassy's Anti-Corruption Coordination Office (ACCO).<sup>361</sup> This quarter, SIGIR conferred with officials from Iraq's three main anticorruption institutions—the Commission of Integrity (COI), ministry inspectors general (IGs), and the Board of Supreme Audit (BSA)—all of whom emphasized the centrality of the NACS to their organizations' work.

### U.S. Anticorruption Efforts

As of September 30, 2010, ACCO had spent more than \$22 million in support of the GOI's anticorruption efforts. ACCO continues to engage with the GOI's main anticorruption institutions and work with USAID, the U.S. Department of Treasury, and the UNDP on anticorruption initiatives in Iraq. For example, of the \$8 million committed by the UNDP to support the COI's public-education campaign, \$3.5 million came from funds controlled by ACCO.<sup>362</sup>

This summer, ACCO began operating under INL, with a staff of 8 that is scheduled to be reduced in 2011. This reduced staffing will be offset in part by two new local staff hires and additional administrative and management support from INL.<sup>363</sup>

### New Anticorruption Training Academy

In November, the GOI is scheduled to open a national anticorruption academy in the International Zone, and it has reached preliminary agreement with Austria's new International Anti-Corruption

Academy (IACA) to provide training support for Iraqi anticorruption officials. The IACA is a joint effort by the United Nations Office on Drugs and Crime and other stakeholders to support anticorruption training programs in participating nations. Iraq's Council of Ministers reports that the COI will take the lead in administering the anticorruption academy, which is being set up in a USACE-built facility originally constructed for the Ministry of Health.<sup>364</sup>

### Dismissal of Charges Against Former Minister of Trade

Earlier this year, the GOI's former Minister of Trade was acquitted by a trial court in Baghdad, in one of the two corruption cases brought against him by the COI. The charges alleged that the former minister and his brother orchestrated a scheme to steal millions of dollars from Iraq's Public Distribution System, which hands out basic foodstuffs to most Iraqi citizens. Immediately following the acquittal, the COI appealed the verdict, but on September 2, 2010, it was announced that Iraq's Federal Appeals Court had upheld the lower court's verdict dismissing the case. As of October 2, 2010, the COI's other case against the former Minister of Trade remains pending.<sup>365</sup>

### Commission of Integrity: 2010 Mid-year Review

This quarter, the COI published a list of 15 key achievements and indicators for the first six months of 2010. Among them, the COI reports issuing 2,360 arrest warrants against GOI employees, including 52 against officials holding the rank of director general.<sup>366</sup> Moreover, in the first two quarters of 2010, the Iraqi judiciary rendered guilty verdicts against 202 officials brought before the courts as a result of COI's investigative work.<sup>367</sup> Figure 4.8 summarizes the sentences received by these individuals.

Despite these investigative accomplishments, the COI's anticorruption efforts are still hampered by certain provisions in Iraq's Criminal

In November 2010, the GOI is scheduled to open a national anticorruption academy in the International Zone.



Classroom inside the new Iraqi anticorruption training academy.



Procedure Code—most notably Article 136(b). Under this article, a minister can halt criminal proceedings against a subordinate. Twice repealed and twice reinstated since 2003, Article 136(b) remains operative, and the COI reported that it was invoked at least 95 times in the first half of 2010 in cases involving potential misconduct related to about \$920,000.<sup>368</sup>

According to MOI's IG, Article 136(b) was recently invoked to halt an inquiry into the conduct of the MOI general responsible for purchasing supposed “bomb detectors” from a company in Great Britain—devices that were little more than antennas connected to metal boxes (often derisively referred to as “magic wands”).<sup>369</sup>

## Commission of Integrity: 2009 Report

In August 2010, the COI issued its *Annual Report for 2009*. According to the report, the COI received 7,797 allegations of corruption in 2009, 53% of which were filed anonymously, and referred 1,084 individuals to the courts for adjudication.<sup>370</sup> Figure 4.9 shows the number of cases referred annually by the COI for judicial action since 2004.

According to the COI, 296 people were convicted on corruption charges in 2009 as a result of its investigations; 39 held the rank of director general or higher.<sup>371</sup> This marked a three-fold increase over the 97 convicted in 2008.<sup>372</sup> Of those convicted in 2009, sentences had to be rendered in absentia for 41% of cases (121 persons).<sup>373</sup> As Table 4.4 indicates, most 2009 sentences were for crimes of forgery and embezzlement.

Other highlights from the *Annual Report for 2009* include:<sup>374</sup>

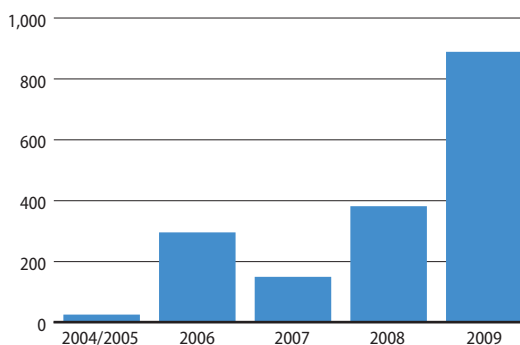
- **Freezing overseas accounts.** For the first time, the COI detected and froze a significant amount of money—approximately \$5 million—that was embezzled and subsequently smuggled out of Iraq, ending up in banks in Jordan and Lebanon. Activities to follow up with officials in those nations continue as the COI attempts to recover those funds and return them to the Iraqi national treasury.

FIGURE 4.8  
CORRUPTION SENTENCES, 1/1/2010–6/30/2010



Source: GOI, COI, “COI Key Achievements and Indicators from January 1, 2010 to June 30, 2010,” [www.nazaha.iq/en\\_body.asp?field=news\\_en&id=188](http://www.nazaha.iq/en_body.asp?field=news_en&id=188), accessed 9/22/2010.

FIGURE 4.9  
COI CASES REFERRED FOR JUDICIAL ACTION, 2004–2009



Note: The COI began operations in the second half of 2004. In September 2007, COI's first Commissioner sought refuge in the United States because of threats against his life. Cases with multiple defendants are often reported as a single case; thus the number of individuals brought before the bar as a result of COI investigations is higher than the number of cases referred.

Source: GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05-1.pdf](http://www.nazaha.iq/pdf_up/189/p05-1.pdf), accessed 9/22/2010.

- **Credential fraud.** 282 arrest warrants were issued against Provincial Council candidates for forging their educational certificates. Of those accused, 17 were sentenced to various terms of imprisonment.
- **Article 136(b).** The Ministry of Municipalities and Public Works used 24 waivers under Article

For the first time, the COI detected and froze a significant amount of money that was embezzled and subsequently smuggled out of Iraq.

TABLE 4.4  
CORRUPTION VERDICTS RENDERED IN 2009, BY OFFENSE

TYPE OF CRIME	NUMBER OF PERSONS CONVICTED	EXAMPLES OF ACTIONS RESULTING IN CONVICTIONS
Forging and/or Using Official Document	90	Forging a diploma or official certificate
Embezzlement	65	Stealing weapons, contract fraud, or failure to follow proper contracting procedures
Sabotage of Public Monies	39	Paying salaries to suspended employees
Aggravated Mistake	22	Professional negligence
Bribery	8	Accepting bribes
Overstepping Bounds of Authority	8	Transferring land via use of a forged deed
Making False Statements	5	Receiving two salaries
Failure to Appear in Court	4	Failure to appear before a judge
Other	17	Disobeying orders or impersonating an official

**Note:** This table summarizes information provided by the COI on 256 persons convicted in 2009. Information on others convicted in 2009 was not available. Verdicts resulting in convictions for more than one crime are included under each offense category. In some instances, individuals committing the same underlying offense are charged under different provisions of the Iraqi Penal Code. For purposes of this table, SIGIR has treated them as having committed the same type of crime.

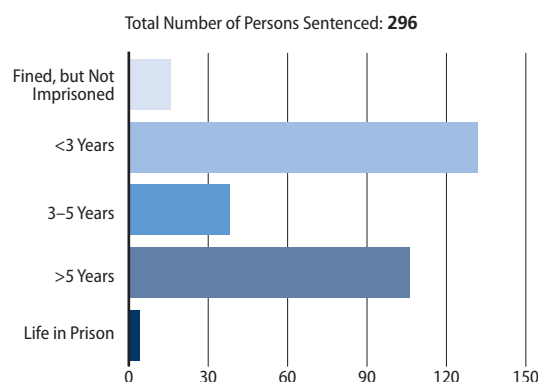
**Source:** GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05-1.pdf](http://www.nazaha.iq/pdf_up/189/p05-1.pdf), accessed 9/15/2010.

136(b)—more than any other ministry. Overall ministers stopped legal proceedings against 54 GOI employees in 2009 by invoking Article 136(b) or taking other actions.

- **Inspectors general.** The COI reviewed 37 IG candidates in 2009; 26 were deemed unqualified, and 10 were ultimately appointed to IG positions within their ministries. (COI authority for reviewing IG candidates originates from CPA Order 55, but reviews have been sporadic since 2003).
- **Oversight of ministries.** The Ministries of Justice, Municipalities and Public Works, Interior, and Oil had the most arrest warrants issued against their employees in 2009. But the Ministry of Defense had more warrants issued against high-ranking officials (41) than any other ministry.

The GOI's anticorruption efforts continue to confront significant challenges. The COI's report revealed that most cases are still based on documents (for example, diploma fraud), suggesting that the COI's ability to conduct proactive investigations remains limited. Figure 4.10 presents COI criminal conviction data for 2009.<sup>375</sup>

FIGURE 4.10  
CORRUPTION SENTENCES, 2009



**Source:** GOI, COI, *Annual Report for 2009*, [www.nazaha.iq/pdf\\_up/189/p05.pdf](http://www.nazaha.iq/pdf_up/189/p05.pdf), accessed 9/22/2010.

### Iraq's Inspectors General: Two Profiles

Iraq's IGs are appointed by the prime minister and serve renewable five-year terms. However, turnover has been frequent, and while some IGs are nearing the end of their full term in office, others are new to the position and only just becoming acclimated to the office. For example, the MOI IG has occupied his post for nearly five years, but the IG for the Ministry of Electricity (MOE) has only been on the job for about four months. This quarter, SIGIR

The Ministries of Justice, Municipalities and Public Works, Interior, and Oil had the most arrest warrants issued against their employees in 2009.

met with both of these men, whose experiences illustrate the challenges confronting the broader IG community as a whole:

- The MOI's IG has oversight of approximately 700,000 MOI employees. The IG had maintained offices in the 15 provinces outside of the Kurdistan Region, but recently worked with Kurdish officials to establish an IG office there. The MOI is the only ministry to have an IG with at least nominal oversight over activities in all 18 provinces. In 2009, the IG's auditing arm uncovered more than 250 billion Iraqi dinar that was improperly used, up from 3 billion Iraqi dinar in 2007.<sup>376</sup>
- The MOE's IG reported having only 71 of the 250 personnel he believes are needed to adequately conduct audits, inspections, and investigations, although he plans to hire 100 more in the near future. The IG contended that, although he lacks essential equipment, the largest problem his office faces is obtaining the information necessary to properly assess the MOE's performance and uncover waste, fraud, and abuse. According to the IG, most corruption is found in procurement contracts, whether between the MOE and local contractors or between the MOE and international firms.<sup>377</sup>

## Status of GOI Anticorruption Leaders

DoS reported that, for the last several years, neither a single IG nor the heads of the COI and BSA have been submitted to the CoR for confirmation, meaning they are acting officials serving at the pleasure of the Prime Minister. Moreover,

according to DoS, the COI Commissioner was appointed in late 2007 by a means not supported under current law. DoS maintains that these factors leave the anticorruption institutions politically vulnerable and their independence compromised.<sup>378</sup>

## Anticorruption Efforts in the Kurdistan Region

The KRG maintains anticorruption institutions distinct from those found in the rest of Iraq, including the Public Rights Board and the Kurdistan Parliament Integrity Committee.<sup>379</sup> Until 2007–2008, the KRG also had two BSA offices, but the Kurdistan Parliament passed a law merging the 2 BSAs into one entity that is charged with auditing public funds and reporting its findings to the Kurdistan Parliament.<sup>380</sup>

In late September, SIGIR officials traveled to the Kurdistan Region to confer with Judge Amin Rizgar of the KRG's Judicial Council. The investigative judges of the Judicial Council focus on enforcing anticorruption laws. Judge Rizgar cited the KRG's hiring of unqualified civil servants and the opacity of many governmental processes as two of the main aggravating factors driving corruption in the Kurdistan Region. To ameliorate these problems, he advocated:<sup>381</sup>

- increasing anticorruption education for public-sector employees
- enhancing prosecutorial independence
- amending laws and regulations governing the expenditures of public funds
- re-evaluating all KRG employees to ensure they are qualified for the positions they hold ♦

For the last several years, neither a single IG nor the heads of the COI and BSA have been submitted to the CoR for confirmation.

## ECONOMY

Legal and regulatory reforms intended to promote Iraq's economic development remain on hold as negotiations to form a government continue.<sup>382</sup> Nevertheless, there are tangible signs of economic progress this quarter. Iraq's hydrocarbon potential has led international oil companies to enter into a series of agreements (generally favoring Iraq) to develop oil and gas fields, as well as related infrastructure.<sup>383</sup> Some progress to create opportunities in the non-hydrocarbon sector is also apparent, and a comprehensive Iraqi plan has been advanced to address the restructuring of State-owned Enterprises (SOEs).

### Key Economic Trends and Developments

The Iraqi economy and government remain largely dependent on the oil sector, as they will for the foreseeable future. This quarter, the GOI received \$11.26 billion in oil exports receipts, \$771 million (6%) less than last quarter. Assuming that oil export receipts for the final three months of the calendar year are equal to the average monthly receipts for the first nine months of 2010, the GOI would receive \$47.47 billion in total annual oil receipts for the year.<sup>384</sup> Those projected oil receipts represent 66% of the GOI's 2010 budget and 56% of Iraq's projected gross domestic product (GDP).<sup>385</sup> For details on the close relationship between oil price, GOI oil receipts, and Iraqi GDP, see Figure 4.11.

#### Inflation

Inflation again remained steady this quarter. As of August 2010, the latest month for which inflation data is available, the core inflation rate was 1.7% and the overall inflation rate was 1.9%<sup>386</sup>—both considerably less than the estimated 2010 Middle East average of 6.6%.<sup>387</sup> Since the Central Bank

of Iraq (CBI) began using data from *Iraq Socio-Economic Survey*—published by the GOI's Central Organization for Statistics and Information Technology (COSIT)—to calculate inflation rates in January 2010, the core and overall inflation rates have tracked very closely with each other. Since the beginning of this year, core inflation has ranged between 1.8% and 3.8%, and overall inflation has ranged between 0.6% and 3.4%. For details, see Figure 4.11.<sup>388</sup>

The CBI has pegged the exchange rate at 1,170 Iraqi dinar per U.S. dollar since January 2009,<sup>389</sup> and has held its policy rate at 6% since April 2010.<sup>390</sup>

#### Employment

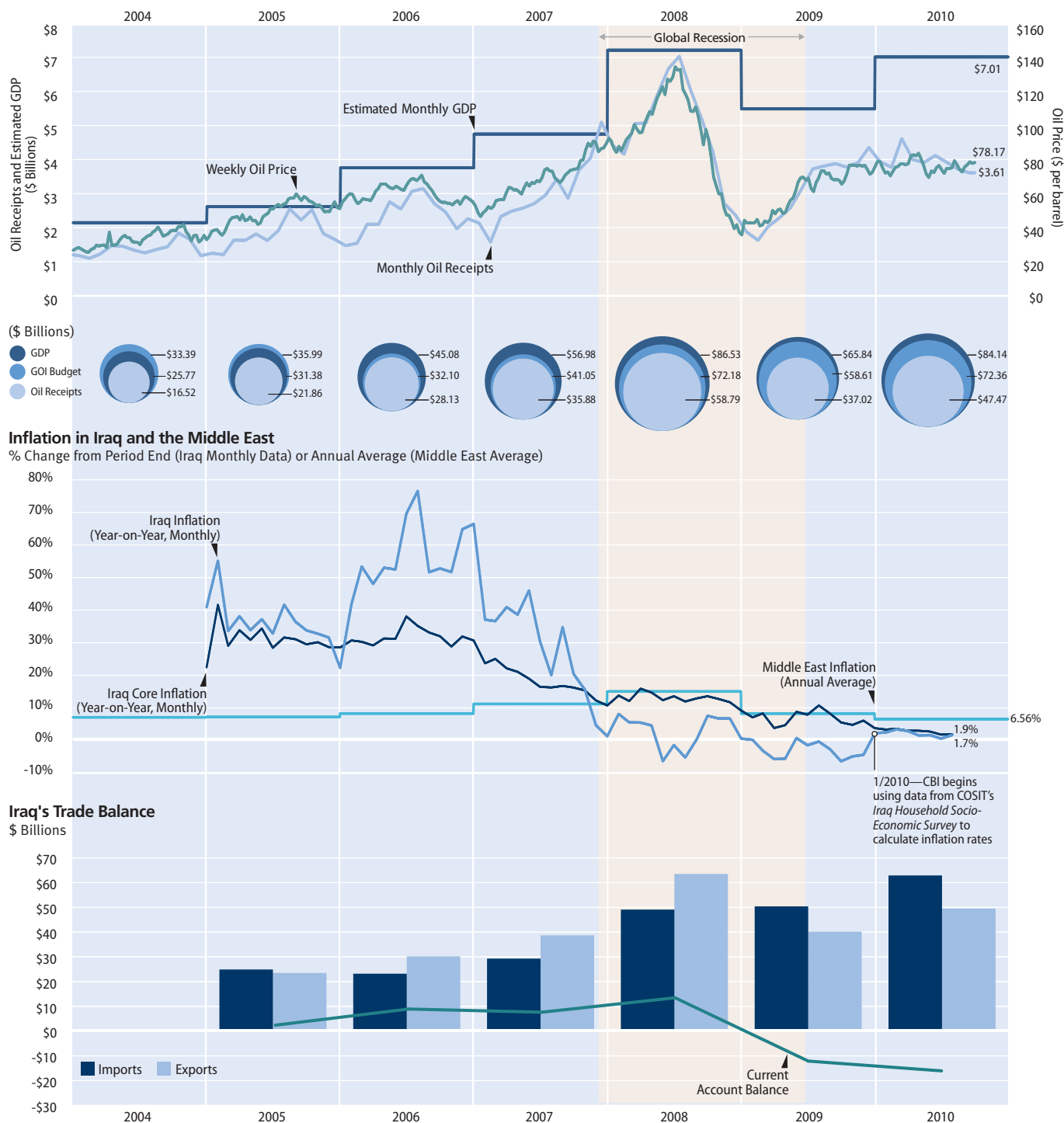
The structural challenge to Iraq's sustainable economic development is that basic civil, commercial, and human capital infrastructure has yet to recover from the effects of decades of sanctions and conflict. Iraqi wages are largely dependent on the GOI budget, which funds more than 60% of full-time employment, and the GOI remains a key driver of the country's economic development.<sup>391</sup> According to a UN labor force analysis of January 2009, the Iraqi economy is unable to generate employment opportunities for 28% of the active labor force. This includes an estimated 18% unemployed and an additional 10% who are part-time workers seeking full-time employment.<sup>392</sup> Moreover, almost a quarter of a million young Iraqis enter into the job market each year, and the country's principal source of revenue (oil exports) provides a disproportionately small number of employment opportunities.<sup>393</sup>

As shown in Figure 4.12, oil represents more than half of GDP but less than 2% of all employment. All other economic sectors, including agriculture, manufacturing, and services, contribute less than half of GDP, “but nearly all jobs, and by extension, the welfare of the very large population that is directly dependent on those jobs.”<sup>394</sup> As stated in

Oil represents more than half of GDP but less than 2% of all employment.

# DEVELOPMENTS IN IRAQ

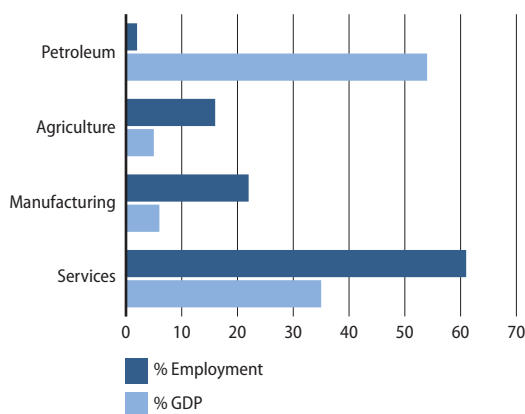
FIGURE 4.11  
THE IRAQI ECONOMY, 2004–2010  
Oil Price, Iraqi Oil Receipts, and GDP



**Note:** Data not audited. Numbers affected by rounding. Daily oil price represented by Weekly Iraq Kirkuk netback price at U.S. Gulf. All dollar values are in current prices. GDP figures from 2009–2010 are estimates. The IMF updated historical GDP figures in its October 2010 report.

**Sources:** U.S. Treasury, responses to SIGIR data calls, 6/8/2010, 7/13/2010, and 10/13/2010; IMF, *World Economic and Financial Surveys: World Economic Outlook Database*, 10/2010, [www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx](http://www.imf.org/external/pubs/ft/weo/2010/02/weodata/index.aspx), accessed 10/12/2010, and *Regional Economic Outlook: Middle East and Central Asia*, 10/2009, pp. 55–57, and 5/2010, pp. 59–61; EIA, "Weekly Iraq Kirkuk Netback Price at U.S. Gulf," [www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W](http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WEPCKIRK&f=W), accessed 10/12/2010; GOI, CBI, "Key Financial Indicators," 10/6/2010, [www.cbi.iq/documents/key\\_financial.xls](http://www.cbi.iq/documents/key_financial.xls), accessed 10/12/2010.

FIGURE 4.12

**SHARE OF IRAQI EMPLOYMENT AND SHARE OF GDP, BY SECTOR**

Source: GOI, MoPDC, response to SIGIR data call, 10/17/2010.

the *UN Development Assistance Framework for Iraq 2011–2014* (UNDAF), “Iraq faces a critical period during which economic diversification and development of the private sector must be undertaken.”<sup>395</sup>

## Lack of an Adequate Financial Management System

International donors have long viewed implementation of a transparent financial management system as important to their support of the GOI. Given the level of donor participation sought under the new Iraqi NDP, the stakes are even higher, but the GOI continues to operate without the benefit of the U.S.-funded Iraq Financial Management Information System (IFMIS). SIGIR reviewed the IFMIS program early in its development and identified fundamental challenges to its implementation.<sup>396</sup> A report released by USAID’s Office of Inspector General (USAID OIG) this quarter revealed that many of those deficiencies remain, and the U.S. investment of \$37.4 million may be at risk for waste.<sup>397</sup>

Although U.S.-funded work on the IFMIS project has ended, the GOI’s Ministry of Finance (MOF) informed USAID OIG that the IFMIS was not fully delivered and significant components were not

completed—including budget and purchasing modules that would have solved many of the difficulties in executing Iraq’s budgets.<sup>398</sup>

The IMF reported in its latest review of the Stand-By Arrangement (SBA) for Iraq that the GOI has committed to assess the functionality of the IFMIS and make the changes required to ensure that the system is operational in 2011.<sup>399</sup> A World Bank study also released this quarter expressed the hope that the IFMIS would be implemented,<sup>400</sup> and the MOF Director General of Finance has indicated that the GOI has been in discussions with the system’s software vendor to see if some of the benefits of the IFMIS could be salvaged.<sup>401</sup>

An IMF staff report reviewing the SBA makes clear that GOI spending units “will be required to submit comprehensive spending reports to enable the MOF to better track implementation and strengthen cash management.”<sup>402</sup> In practice, however, USAID OIG found that the GOI continues to use a legacy system because IFMIS does not allow for users to perform critical accounting functions (see Table 4.5).<sup>403</sup>

TABLE 4.5

### FUNCTIONS THAT GOI REPORTEDLY CANNOT PERFORM USING THE U.S.-FUNDED IFMIS SYSTEM

Enter invoices with unique invoice numbers.
Provide information needed to perform bank reconciliations.
Provide for more than one bank account.
Provide automatic opening balances that were based on closing balances from the previous accounting period.
Provide a work-around for offline data entry.
Produce useful reports for individual ministries and offices.
Produce accurate and complete trial balances.
Add a supplemental budget for mid-year increases to the budget.
Add new accounts to the chart of accounts.
Automatically save entered transaction data.
Inform users when budget ceilings are exceeded.
Transmit information quickly through the system.

Source: USAID OIG Audit E-267-10-002-P, “Audit of USAID/Iraq’s Implementation of The Iraq Financial Management Information System,” 7/19/2010, p. 6.

The GOI continues to operate without the benefit of the U.S.-funded Iraq Financial Management Information System.



## Oil and Gas

On October 4, Iraq's Minister of Oil announced that the ministry had raised its estimate of the country's proved reserves of crude oil by 24%—from 115 billion barrels to 143.1 billion barrels.<sup>404</sup> The most significant revisions reportedly were for the West Qurna field (increasing from 21.4 billion to 43.3 billion barrels) and the Zubair field (increasing from 4 billion to 7.8 billion barrels).<sup>405</sup> The revised estimate would move Iraq ahead of Iran on most lists of countries' proved reserves, leaving it behind only Saudi Arabia and, perhaps, Canada.<sup>406</sup>

Although hydrocarbon resources dominate Iraq's economy, their potential to generate government revenue—as well as to meet domestic energy needs—has been limited by conflict, sanctions, and the consequent underinvestment in those resources. As shown in Figure 4.13, production of crude oil has remained relatively flat since the beginning of 2008, rarely exceeding 2.5 million barrels per day (MBPD). Furthermore, vast amounts of natural gas continue to be flared because of the lack of infrastructure to deliver it to where it can be productively used. But these conditions could start to change in the coming years as a result of the contracts signed with international

oil companies, as well as agreements that currently are being negotiated or proposed.

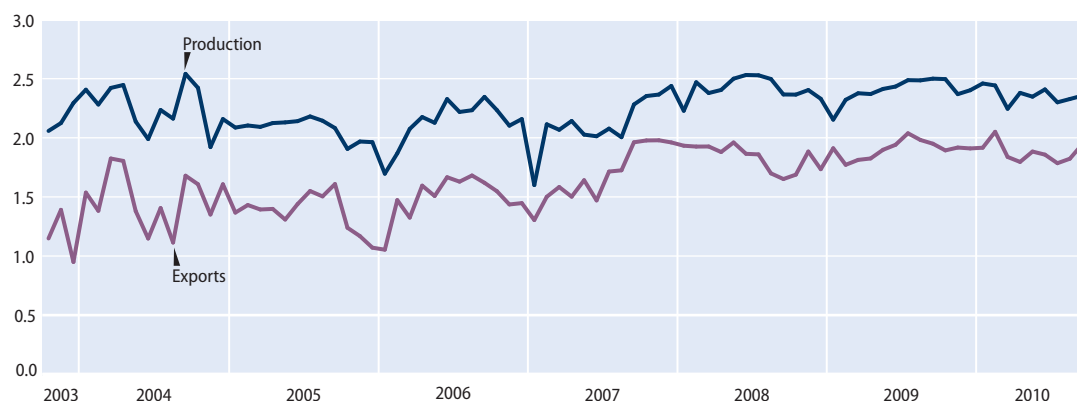
## Crude Oil Production and Field Development

Over the past year, Iraq's crude oil production each quarter was either about the same as or slightly below what it was the preceding quarter. This quarter's production averaged 2.33 MBPD, a 2% decrease from last quarter and a 7% drop from the post-invasion record of 2.49 MBPD achieved during the July–October quarter of 2009.<sup>407</sup> These figures do not include crude oil production in the Kurdistan Region, which currently averages about 40,000 barrels per day (BPD).<sup>408</sup>

About 71% of Iraq's proved reserves of crude oil and 72% of current production are in the oil fields of southern Iraq,<sup>409</sup> where most new development activity is taking place or being planned. In September, the Ministry of Oil's South Oil Company and its international partners set quarterly production targets that aim to increase southern production from this quarter's average of 1.68 MBPD to 2.285 MBPD by December 31, 2011.<sup>410</sup> The Ministry of Oil's goal is to eventually expand the country's overall production to more than 12 MBPD, and the winners of last year's bidding rounds for

The revised estimate would move Iraq ahead of Iran on most lists of countries' proved reserves.

FIGURE 4.13  
CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–9/2010  
Million Barrels per Day



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 10/4/2010.

field-development contracts are at various stages of planning, deployment, and field work.<sup>411</sup>

Although ExxonMobil and Occidental Petroleum were the only U.S. firms on consortia that won contracts in last year's bidding rounds, other U.S.-based companies are establishing a presence in Iraq to provide oilfield services. For example, Halliburton reported it has completed construction on the first phase of its 400-person base in al-Burjisiyah in Basrah province.<sup>412</sup> Baker Hughes, Schlumberger, and Weatherford also have set up base camps in Basrah.<sup>413</sup> Industry developments this quarter included the following:

- Halliburton announced that Shell had awarded it a letter of intent for the development of the Majnoon field and that Eni had awarded it a contract to provide a range of energy services to support the redevelopment of the Zubair field. Work on the Eni contract has already started, but the contract with Shell must be approved by the GOI before work can begin on the Majnoon field. Halliburton will serve as project manager for the Majnoon development work, in affiliation with Nabors Drilling and Iraq Drilling Company.<sup>414</sup>
- Baker Hughes signed a three-year strategic alliance to supply wireline technologies to the South Oil Company and other Iraqi oil and gas producers as well as to help develop local Iraqi wireline logging capabilities.<sup>415</sup> Wireline logging helps determine where oil and gas is likely to be found.<sup>416</sup>
- Lukoil began the tender process for construction of key facilities on the West Qurna-2 field, and China National Petroleum Corporation announced a series of tenders related to development of the Halfaya field.<sup>417</sup>

To help coordinate the expansion efforts, the ministry invited the winning consortia and local government officials to a symposium in Baghdad on July 18 and 19. Industry representatives reportedly voiced concerns about obstacles slowing the movement of personnel and equipment into Iraq. In response, the Minister of Oil said that the

Ministry of Interior would start issuing visas to company employees at airports and that the GOI was also working to open new border crossings for oil equipment to compensate for the current shortage of dock space at Umm Qasr. The minister also acknowledged that every type of transportation infrastructure—including roads, airports, and pipelines—would need to be improved or expanded to handle the expected development activity.<sup>418</sup> ExxonMobil apparently was confronted with an additional challenge as it started work at the West Qurna-1 field: to obtain adequate water supplies, it had to build water infrastructure.<sup>419</sup>

## Crude Oil Exports and Capacity Expansion

Crude oil exports averaged 1.85 MBPD, about the same as last quarter's level and 7% below what they were a year ago—roughly coinciding with the trend in production. Of this quarter's total exports, about 1.47 MBPD was shipped from the southern port facilities in Basrah, about 0.37 MBPD was transported via pipeline north through Turkey to the port of Ceyhan, and a small amount was trucked to Jordan.<sup>420</sup>

As crude oil production increases in the coming years, more oil will be available for export. Iraq's NDP estimates that crude oil exports could reach 3.1 MBPD in 2014 (see Table 4.6). How much is actually exported, however, could be constrained by the capacity of Iraq's pipelines and export facilities. The Ministry of Oil has been working on several fronts to increase export capacity:

- **Southern Exports.** On September 28, the Council of Ministers (CoM) approved a \$733 million agreement with Leighton Offshore to build a 1.8 MBPD floating oil terminal in Basrah, as well as pipelines that connect oil fields to the new terminal. The GOI's 2010 budget reportedly already includes \$175 million for the project.<sup>421</sup> The Ministry of Oil's previously announced plans call for building three new offshore pipelines in Basrah with a combined capacity of 4.5 MBPD, and it announced in September that it expects those

The minister also acknowledged that every type of transportation infrastructure would need to be improved or expanded to handle the expected development activity.

TABLE 4.6  
NDP ESTIMATE OF OIL EXPORTS, 2010–2014

YEAR	EXPORTS (MBPD)	PRICE/ BARREL (\$US)	POTENTIAL REVENUE (\$US Billions)
2010	2.15	60	47.09
2011	2.30	63	52.89
2012	2.50	68	62.05
2013	2.80	68	69.50
2014	3.10	68	76.94

Note: Numbers affected by rounding.

Source: GOI, MoPDC, *National Development Plan (2010–2014)*, 12/2009, p. 24.

pipelines to be ready by the end of 2011.<sup>422</sup> U.S. officials, however, have told SIGIR that they do not expect the offshore pipeline capacity to reach 4.5 MBPD until the end of 2013 at the earliest.<sup>423</sup>

- **Northern Exports.** On September 19, the Minister of Oil signed an agreement with Turkey to ensure continuation of exports through the Iraq-Turkey pipeline for another 15 years. The deal allows for a 1 MBPD increase in flow through the pipeline.<sup>424</sup> There also are reports that the ministry is considering additional pipeline capacity for exports to Turkey.<sup>425</sup>
- **Western Exports.** Iraq and Syria signed a memorandum of understanding this quarter to build two transnational oil pipelines and one gas pipeline. The pipelines would have the capacity to transport more than 2 MBPD of oil and an unspecified amount of gas from Iraq's northern fields to Syrian ports. The Ministry of Oil has determined that constructing new pipelines would be more cost-effective than attempting to rehabilitate Iraq's existing, but no longer used, pipeline to Syria.<sup>426</sup>

## Refineries and Petroleum Products

Compared with the same quarter in 2009, domestic production of gasoline, diesel fuel, kerosene, and liquefied petroleum gas (LPG), as well as the total supply of each of those petroleum products, was up. Refinery output of diesel fuel increased by 39% over that period, gasoline by 27%, kerosene

by 7%, and LPG by 4%. As shown in Figure 4.14, Iraq produced more of these fuels than it imported. While its imports of kerosene and diesel fuel were negligible, Iraq imported 13% of this quarter's LPG supply and 31% of the gasoline supply.<sup>427</sup>

According to the Ministry of Oil, gasoline consumption reached record-high levels in the May–July period as use of private household and neighborhood generators increased to help offset electricity shortages on the national grid. Demand for gasoline reportedly was 18% higher than it was during the same time period in 2009. In Baghdad, up to 7 million liters of gasoline were consumed each day.<sup>428</sup>

The ministry plans to expand the existing Doura and Basrah refineries and to build four new refineries with a combined capacity to refine 740,000 BPD of crude oil. In August, KBR announced it had been awarded two contracts to provide licensing and basic engineering services for the construction of a fluid catalytic cracking unit and a solvent deasphalting unit at one of those new facilities—a 150,000 BPD refinery in Missan province.<sup>429</sup>

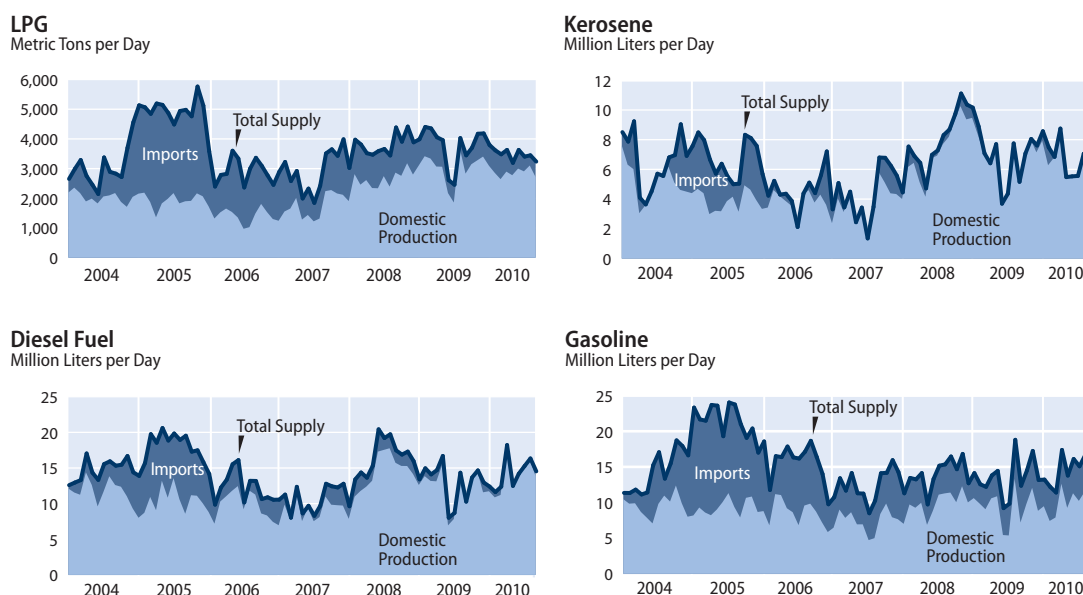
## Natural Gas

According to the Ministry of Oil, production of associated natural gas averaged 1,385 million cubic feet (MCF) per day during the first eight months of 2010, and half of that amount was flared.<sup>430</sup> There were no reported developments this quarter on the proposed deal with Shell and Mitsubishi to form a joint venture with the ministry's South Gas Company to capture and distribute associated gas in Basrah.

After having been rescheduled twice, the bidding round for the development of three non-associated gas fields was finally held on October 20. The auction was for the Akkas gas field in Anbar province, the Mansouriya field in Diyala, and the Siba field in Basrah. As was the case in the December 2009 auction for oil service contracts, company representatives placed their sealed bids for each field into a clear box designed to symbolize the transparency of the process. They did so after the ministry put a sealed envelope into the box

Gasoline consumption reached record-high levels in the May–July period.

FIGURE 4.14  
REFINED FUEL PRODUCTION AND IMPORTS, BY MONTH, 2004–2010



Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, and 10/4/2010.

TABLE 4.7  
RESULTS OF GAS BIDDING ROUND

FIELD	WINNING CONSORTIUM	ESTIMATED RESERVES (TCF)	FEE BID (\$/Barrel of Oil-equivalent)	PRODUCTION PLATEAU TARGET (MCF/Day)
Akkas	Kogas (50%), KazMunaiGaz (50%)	5.6	5.50	400
Mansouriya	TPAO (50%), KEC (30%), Kogas (20%)	4.5	7.00	320
Siba	KEC (60%), TPAO (40%)	1.5	7.50	100
<b>Total</b>		<b>11.6</b>		<b>820</b>

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 10/22/2010.

containing the maximum acceptable remuneration fee for the field. As shown in Table 4.7, a consortium of Korea Gas Corporation (Kogas) and Kazakhstan's KazMunaiGaz was the successful bidder for the Akkas field; Turkey's TPAO, Kuwait Energy Company (KEC), and Kogas won the bidding for the Mansouriya field; and KEC and TPAO submitted the winning bid for the Siba field. A Ministry of Oil company will have a 25% share in each project. The CoM must approve the deals before they are final. If the production plateau targets are achieved,

the new contracts could potentially raise gas production by 820 MCF per day.<sup>431</sup>

In the Kurdistan Region, Dana Gas and Crescent Petroleum reported that they have invested more than \$850 million since 2007 to develop the region's natural gas resources. In their October 5 announcement, the two companies say they have reached an overall production and processing capacity of 200 MCF per day and are currently supplying up to 180 MCF per day to the region's two privately operated power plants in Erbil and

Sulaymaniyah. They expect daily production capacity to reach 300 MCF by 2012.<sup>432</sup>

## GOI-KRG Tensions over Oil and Gas Exports

The KRG's and GOI's differing viewpoints on the development and marketing of hydrocarbon resources in the Kurdistan Region publicly resurfaced this quarter after the KRG signed an agreement with German company RWE for the design and development of gas-transportation infrastructure within the region. Under the agreement reached in August, RWE would help design not only a domestic distribution network that would pipe gas to households and businesses in the region, but also the infrastructure that could potentially enable gas produced in the region to be exported via the proposed Nabucco pipeline. In announcing the deal, the KRG's Minister of Natural Resources said that transporting this gas through the Nabucco pipeline is "a priority for us, and will also serve to cement our already good relations with Europe and Turkey."<sup>433</sup>

First conceived in 2002 but still in the planning stage, the Nabucco pipeline would connect the Eastern border of Turkey to a distribution hub in Baumgarten, Austria, thereby providing a way to transport gas from the Caspian region and the Middle East to Europe. Figure 4.15 shows the route of the proposed pipeline, as well as the anticipated feeder line from the Kurdistan Region. On September 6, the international consortium spearheading the Nabucco project said that it had signed an agreement with the European Investment Bank, European Bank for Reconstruction and Development, and International Finance Corporation that would initiate an appraisal process that eventually could result in a financing package worth more than \$5 billion.<sup>434</sup>

Soon after the KRG-RWE deal was announced, the GOI Ministry of Oil released a statement saying that the State Oil Marketing Organization (SOMO) is the only entity authorized to sign contracts for the export of Iraq's crude oil or natural gas. The

FIGURE 4.15  
ROUTE OF PROPOSED NABUCCO GAS PIPELINE



Source: Nabucco Gas Pipeline International, "Route," [www.nabucco-pipeline.com/portal/page/portal/en/pipeline/route](http://www.nabucco-pipeline.com/portal/page/portal/en/pipeline/route), accessed 9/23/2010.

statement added that "the KRG has no such authority to export crude oil or gas or their products. And any other commitments made other than by the Ministry of Oil to export gas via the Nabucco pipeline are invalid." The KRG issued a counter-statement asserting that it would continue on its own to make deals to provide energy services in a timely manner for the people in the Kurdistan Region,<sup>435</sup> but Turkey's Minister of Energy reportedly pledged that gas from the Kurdistan Region would not be allowed to pass through Turkey without permission from the GOI.<sup>436</sup>

Earlier in the quarter, the GOI-KRG disagreement manifested itself in a different form after the *New York Times* published an article about oil smuggling on the Kurdistan Region's border with Iran. The KRG responded by saying that, other than the crude oil it exported to Turkey for a brief period in 2009, "no crude oil travels across the internal or external boundaries of the Kurdistan Region."<sup>437</sup> The KRG subsequently told SIGIR that the amount of crude oil that will be exported in the future will be determined by the KRG's Council of Oil and Gas.<sup>438</sup>

With regard to petroleum products from the three refineries in the Kurdistan Region, the KRG said that most are used within the region; when

The Ministry of Oil released a statement saying that SOMO is the only entity authorized to sign contracts for the export of Iraq's crude oil or natural gas.

The KRG told SIGIR that the amount of crude oil that will be exported in the future will be determined by the KRG's Council of Oil and Gas.

there are surplus products, the KRG said it “conducts open and competitive tendering” for their export. The statement added that fuel oil produced in the GOI’s large refineries is sold to the local private sector at a significant discount. “The KRG is aware of the fact that profiteers in fuel oil refined outside Kurdistan have exploited Kurdistan’s international borders,” the statement said. “The KRG is committed to working with the Federal Government to eliminate permanently all such profiteering in fuel oil, not only in the KRG but also along the entirety of Iraq’s international borders.”<sup>439</sup>

U.S. law provides for the imposition of sanctions on persons who knowingly sell refined petroleum (valued at \$1 million or more, or valued in the aggregate at more than \$5 million during a 12-month period) to Iran.<sup>440</sup>

### Attacks on Oil and Gas Infrastructure

There were three reported attacks this quarter on oil and gas facilities, compared with four last quarter. According to USF-I, none of this quarter’s attacks caused significant damage or led to prolonged periods of disruption to the oil or gas networks, and no specific group or organization took credit for these attacks. The first attack occurred on July 3, when an improvised explosive device caused minor damage to the Pipeline Exclusion Zone along the Iraq-Turkey pipeline, halting the flow of oil for one day. On July 12, an oil pump was attacked in the Rashidiya area of Baghdad, causing a small fire but no damage. The third attack, an explosion on a liquefied petroleum gas line that supplies a bottling plant in Taji, also resulted in no damage.<sup>441</sup>

### Private-sector Development in Non-hydrocarbon Areas

The creation of a strong private sector and diversification of industries beyond the oil and gas sector are the emphasis of development plans and programs adopted by the GOI and its international development partners. Iraq’s NDP, the United Nations

Development Group’s UNDAF, and the IMF SBA all identify an attractive investment climate; a dynamic labor market; and improved performance and productivity of sectors such as agriculture, transportation, religious tourism, industry, construction and housing, and other non-oil sectors as areas for development.<sup>442</sup> Many of these goals were included in the GOI-led (now defunct) *International Compact with Iraq* (ICI). In its Interim Strategy Note (2009–2011), the World Bank emphasized that Iraq’s ability to achieve economic development goals faces significant implementation risk as it relates to the “political and security situation” in Iraq as well as “fiduciary risks” related to the GOI.<sup>443</sup>

### Support for Financial Sector Development

The IMF and U.S. development agencies have said that Iraq’s financial sector is key to achieving a productive private-investment environment. They cite several objectives for development and reform, including satisfying the demand for formal credit, attracting foreign capital, and providing mechanisms for entrepreneurs to expand their businesses and generate long-term employment opportunities.<sup>444</sup>

Support from the U.S. Treasury, USAID, and World Bank have largely focused on macro changes. These top-down projects include work with the CBI, the creation of the Iraqi Company for Bank Guarantees (a guarantor of loans to small and medium enterprises, or SMEs), a Non-Banking Financial Institution, and the Iraqi Company for Financing SMEs, as well as capacity development initiatives to strengthen the legal and regulatory environment for the financial sector and to improve access to credit. At the other end of the reform spectrum, two USAID programs are designed to strengthen Iraq’s financial sector by providing broader access to credit and lending services.<sup>445</sup>

### Iraq Financial Sector Development Program

In July, USAID awarded a new five-year contract to AECOM Technology Corporation to implement the Iraq Financial Sector Development Program.

Iraq’s financial sector is key to achieving a productive private-investment environment.



Funded by \$53 million of the ESF, the program is intended “to improve the soundness of the private financial sector through institution building and targeted reforms, and improve the quality and availability of finance and business education.”<sup>446</sup>

Anticipated activities include strengthening private industry associations, which could serve as private-sector advocates to the GOI on policy as well as legal and regulatory reform. The stated goal is to forge a strong, professional industry association that can effectively represent the interests of the financial sector with the CBI, CoR, and other government entities, as well as with the Iraqi citizens. The program is expected to help develop credit bureaus, a training institute, and bank training capacity.<sup>447</sup>

## Tijara

As of September 30, 2010, USAID’s Provincial Economic Growth Program (*Tijara*, Arabic for “trade”) had expended all but about \$1 million of the \$85 million allocated to support direct outreach programs and donor funding for Microfinance Institutions (MFIs)—an activity that has expanded rapidly since first introduced in 2003. Between 2007 and 2010, USAID reports that the industry had a cumulative growth rate of 53%.<sup>448</sup> Through the first quarter of 2010, Iraqi MFIs recorded annual portfolio increases of 32% and 42% in their active client bases.<sup>449</sup> As shown in Table 4.8, MFIs are currently present in all 18 of Iraq’s provinces.

Iraq’s microfinance subsector is small compared to others in the Middle East. With a market penetration of less than 1%—including unrealized markets among the approximately 7 million people living and working in rural areas—the potential for growth is great.<sup>450</sup>

Ongoing *Tijara* MFI activities include work to develop demand-driven lending streams (such as value-chain financing) and cultivate the supply of credit by securing donor assistance for lending. *Tijara* also provides institutional support for maturing MFIs, formalizing an MFI network, introducing new technology applications for MFI providers and users, and developing human resource capability

TABLE 4.8

## MICROFINANCE OUTREACH ACROSS IRAQ, AS OF 4/2010

PROVINCE	NUMBER OF OUTSTANDING LOANS	VALUE OF OUTSTANDING LOANS (\$US)	AVERAGE AMOUNT OF OUTSTANDING LOANS (\$US)	PERCENTAGE OF VALUE OF ALL OUTSTANDING LOANS
Baghdad	8,298	10,709,240	1,290.58	12.68
Sulaymaniyah	6,960	10,176,616	1,462.16	12.05
Basrah	4,054	6,434,922	1,587.30	7.62
Babylon	4,138	6,262,905	1,513.51	7.42
Erbil	4,127	6,256,876	1,516.08	7.41
Tameem	4,303	5,586,560	1,298.29	6.62
Kerbala	4,053	5,550,048	1,369.37	6.57
Anbar	3,771	4,633,635	1,228.75	5.49
Najaf	2,992	4,517,886	1,509.99	5.35
Ninewa	3,099	4,242,529	1,369.00	5.02
Wassit	4,204	3,975,850	945.73	4.71
Dahuk	1,942	3,446,369	1,774.65	4.08
Diyala	2,527	3,368,911	1,333.17	3.99
Qadissiya	1,452	3,098,515	2,133.96	3.67
Thi-Qar	1,320	2,345,238	1,776.70	2.78
Muthanna	1,239	1,830,981	1,477.79	2.17
Salah Al-Din	1,055	1,001,509	949.30	1.19
Missan	1,925	991,920	515.28	1.17
<b>Total</b>	<b>61,459</b>	<b>84,430,510</b>		<b>100.00</b>

Number of Provinces Served: 18

Number of Microfinance Institutions: 14 (2 International NGO-MFIs and 12 National NGO-MFIs)

Number of Active Clients: 62,901

Percentage of Loans to Women: 15%

Interest Rates: 12%–18% per year

## CUMULATIVE RESULTS, 2004–4/2010

Number of Loans Disbursed: 197,335

Total Value of Loans Disbursed: \$453.3 million

Source: USAID, “State of Iraq’s Microfinance Industry,” 6/2010, [www.imfi.org/?q=en/node/169](http://www.imfi.org/?q=en/node/169), accessed 10/1/2010.

and local industry best practices. USAID offered as an example of developing both the goals of small-enterprise development and MFI credit availability the Small Business Development Center (SBDC) Network. The 15 *Tijara*-funded SBDC’s in Iraq provide a range of services, including training in business planning and management, microfinance, and business-to-business networking. SBDCs also work to connect entrepreneurs to SME financing opportunities through private lending.<sup>451</sup>

Despite progress, MFIs remain dependent on donor assistance. As the microfinance subsector

establishes itself as a mature credit source, USAID has said that the true test of its sustainability will be access to market-sensitive financing vehicles.<sup>452</sup>

The Iraqi Youth Initiative, supported by \$12 million from the ESF-funded Ambassador's Targeted Development Program, has expanded to operate out of USAID's SBDCs. This 18-month program brings MFI financing together with the financial services of the SBDCs to create new business enterprises for Iraq's youth. USAID expects to engage more than 5,000 young Iraqis through the program and create more than 2,500 jobs with a recyclable portfolio of more than \$4.4 million in individual and group loans.<sup>453</sup>

## Transitioning Iraq's State-owned Enterprises

### Road Map for Restructuring SOEs

The GOI Task Force for Economic Reforms, with assistance from the United Nations and World Bank, recently prepared its *Roadmap for Restructuring State Owned Enterprises in Iraq*, which is to be submitted to the Council of Ministers for approval.<sup>454</sup> Of the 177 SOEs, most operate under four ministries: Ministry of Industry and Minerals (67), Oil (16), Finance (13), and Construction and Housing (11).<sup>455</sup> According to the GOI's task force, the SOEs currently employ about 633,000 people, including long-time employees, "former political dissidents and other special groups for whom provision of jobs has been... a way of achieving social peace and stability over the past few years."<sup>456</sup>

Reducing GOI budgetary support for SOEs is a large structural reform item, considering that such payments comprise an estimated 5% of current and projected GOI expenditures for 2010.<sup>457</sup> Additionally, off-budgetary support for SOEs in 2008 and 2009 may have added an additional 25% to annual outlays, with even larger amounts in 2005 and 2006.<sup>458</sup>

The GOI task force has recommended a transitional process in two steps. The first step would separate the SOEs from ministries (a corporate



Members of the Missan PRT evaluate a building as part of a project to reopen the Missan Plastics Factory, which had been a major producer of PVC pipe before 2003. (DoD photo)

restructuring) with a corresponding financial separation that provides time for restructuring to take place. Once the instruments for an SOE are in place, the GOI envisions a two- to three-year transition period (operational restructuring) to reach a market-based, competitive performance model.<sup>459</sup>

Implementation of the SOE reform and restructuring process is likely to be disruptive in the short term. The GOI task force has agreed with the UNDAF's assertion that the transition of SOEs will require mitigating investments to retrain workers and to help them find jobs in other, sustainable economic sectors. Over the longer term, successful execution of the SOE reform strategy will likely result in parallel changes that are seen as essential to transitioning SOEs to a new business model and attracting new commercial investors, including reform of the banking and financial service industries and modernization of commercial law.<sup>460</sup> Although all SOE conversions are not expected to be successful, GOI officials have indicated that some industries, such as construction and textiles, are seen as having a strong possibility of success.<sup>461</sup>

An indication of the commercial viability of some SOEs was evident in the privatization of the GOI-owned Kerbala Cement Plant. On October 2, private equity group MerchantBridge—identified as the largest private equity investor in Iraq—announced a deal to operate and manage the plant under a 15-year lease. Together with its France-based

Implementation of the SOE reform and restructuring process is likely to be disruptive in the short term.

partner LaFarge, the Kərbala Cement Plant is anticipated to increase annual production from 300,000 tons to about 2 million tons.<sup>462</sup>

## Task Force for Business and Stability Operations

DoD established the Task Force for Business and Stability Operations (TFBSO) in 2006 to help revitalize and stabilize Iraq's economy, including providing assistance in the restart or expansion of production at Iraq's SOEs. TFBSO's budget from FY 2007 through FY 2010 totaled \$545.6 million, of which \$368.6 million has come from CENTCOM operations and maintenance funds, \$174 million from the Iraqi Freedom Fund (IFF), and \$3 million from the Emergency and Extraordinary Expense Fund.<sup>463</sup> Of the \$100 million in FY 2007 and FY 2008 IFF funding it received, TFBSO reported that it had obligated \$85.7 million and expended \$52.6 million for its reindustrialization project as of September 30, 2010. TFBSO also reports that 41 SOEs have been able to reopen or substantially increase production as a result of its IFF-funded investments and that it has helped dozens of other factories throughout Iraq restart or expand without use of these appropriations. Although it reports remaining engaged in dozens of investor projects, TFBSO has said that security concerns, corporate confidentiality requirements, and the unavailability of data in Iraq prevent it from providing measurable results of its recent activities.<sup>464</sup> Although revitalizing SOEs has been part of TFBSO's core mission, it is unclear what role, if any, it had in the development of the new *Roadmap for Restructuring State Owned Enterprises in Iraq*.

## Agriculture

A distant second in its contribution to government revenues behind oil, agriculture is a small but historically important part of Iraq's economy. Once agriculturally self-sustaining, Iraq now imports the vast majority of basic foodstuffs consumed. Still, agriculture plays a critical role in providing employment.<sup>465</sup>

The Ministry of Agriculture controls two-thirds of agricultural land, which is leased or granted to farmers, providing the GOI with significant

influence over industry modernization, production increases, and improvements in farm incomes.<sup>466</sup>

The GOI's Agricultural Initiative is focused on legal, natural resource allocation, as well as plant and husbandry planning; and it has identified irrigation, seed inputs, storage, commercial farming, and applied expertise in dairying, poultry, and organics as areas of desired investment.<sup>467</sup>

## U.S.-funded Agriculture Programs

USAID's *Inma* (Arabic for "growth") Agribusiness Program is approaching the completion of its funding cycle. All of the \$144 million allocated to it from the ESF has been obligated, and \$36.2 million remains to be expended.<sup>468</sup> Among *Inma*'s accomplishments this quarter, USAID noted that hatchery courses conducted by *Inma* successfully spawned the 1,900 brood stock of Hungarian carp provided to the private sector and GOI hatcheries—a first step toward a sustainable aquaculture program.<sup>469</sup>

To launch a new initiative that focuses on reforming Iraq's agricultural policy, USAID issued a solicitation this quarter to contractors for the Rural and Agricultural Incomes with a Sustainable Environment (RAISE PLUS) program. After receiving no bids for this indefinite-quantity contract, USAID decided to redesign the activity in consultation with the U.S. Department of Agriculture's Foreign Agricultural Service.<sup>470</sup>

## Housing and Construction

Iraq's NDP identifies new housing construction as a "critical need."<sup>471</sup> High population growth rates, increasing urbanization, and returning refugees and internally displaced persons contribute to increased demand. Current estimates indicate that an additional two million units could be constructed by 2015.<sup>472</sup> Housing could be a key driver of a sustainable construction sector (including related industries)—one which would provide an opportunity for successful SOE restructurings as well as private-sector growth.<sup>473</sup>

Although a recent survey of 360 senior international business executives indicated that a majority

Housing could be a key driver of a sustainable construction sector.

(64%) still consider Iraq too dangerous for doing business, 43% viewed construction and real estate as the most promising non-energy sector in the Iraqi economy.<sup>474</sup> SIGIR's recent discussions with Investment Commission officials in the KRG and in Mosul indicated that sizable housing development projects in those areas are under way.<sup>475</sup> This quarter, several large deals were announced:

- Iraq's National Investment Commission chose 35 international firms to build one million new housing units throughout Iraq, including 244,000 units in Baghdad, 100,000 in Mosul and 80,000 in Basrah. Final contracts are expected to be signed next quarter, with construction slated for completion in two years at a cost of \$50 billion.<sup>476</sup>
- An Iraqi-Jordanian real estate company, Amwaj International, plans to construct 3,500 apartments, a hotel, an office tower, and a shopping mall as part of the "Baghdad Gates" development. The \$238 million project is planned to be completed in 2014.<sup>477</sup>
- Iraq's first "mini-city"—a village of businesses about 30 minutes from Baghdad—is slated to include offices, restaurants, hotels, banks, stores, car rentals, and government branches. According to the Baghdad Investment Commission, the \$250 million mini-city is being built to attract direct foreign investment, which has been discouraged by fears over security and instability. The project is slated to be complete in three to five years.<sup>478</sup>
- A UAE-based company agreed this quarter to build a residential compound in Kerbala province that will include a commercial mall, and has also expressed interest in building tourist and hotel projects in the future.<sup>479</sup>

USAID said that it will lobby the next appointed Minister of Trade to champion WTO accession efforts.

## Trade Development

### WTO Accession

*Tijara's* International Trade and WTO Accession Project is helping the GOI to identify all areas

of trade policy reform needed for World Trade Organization (WTO) accession and to support the drafting of laws and the procedures needed to implement them. Since its application in 2004, Iraq has worked through a series of preparatory requirements, including meeting with the WTO Accession Working Party in 2007<sup>480</sup> and providing follow-up on a series of related questions.<sup>481</sup> Throughout this process, the WTO Accession team of USAID has provided technical, logistical, and administrative support for the GOI.<sup>482</sup>

The continuing scope of activities in support of the WTO project, however, appears in question after public comments by the Minister of Labor and Social Affairs in August raised doubts about the GOI's interest in accession.<sup>483</sup> In response to the minister's public statements, USAID said that it will await the appointment of a new Council of Ministers and lobby the next appointed Minister of Trade to champion WTO accession efforts. Meanwhile, USAID ministry advisors continue to attend meetings on the service offers and ready the documentation that must be submitted, should the new Trade Minister re-engage with the WTO.<sup>484</sup>

## U.S. Trade Missions

### U.S. Department of Commerce Trade Mission

According to the Department of Commerce, "the U.S.-Iraq bilateral relationship is entering a new phase of commercial engagement" aimed at bringing business expertise into Iraq at a critical time. This quarter, as a follow-on to the October 2009 U.S.-Iraq Business and Investment Conference held in Washington, D.C., the department led its first trade mission to Iraq. Held in Baghdad during October 4–6 and led by the Under Secretary of Commerce for International Trade, the mission hosted 14 U.S. companies, representing industries from aviation and telecommunications to engineering and construction.<sup>485</sup> Participants received firsthand market information and access to government decision makers, in addition to one-on-one meetings with potential agents, distributors, and partners.<sup>486</sup>



Under Secretary of Commerce for International Trade Francisco Sánchez (left) with Ambassador Jeffrey and Iraq's Minister of Trade, Dr. Safa Al-Din Muhammad al-Safi, in Baghdad. (U.S. Embassy-Baghdad photo)

In a meeting with the chairman of Iraq's National Investment Commission while in Baghdad, the Under Secretary reiterated the benefits of GOI ratification of the Trade and Investment Framework Agreement, Overseas Private Investment Corporation Investment Incentive Agreement, and Memorandum of Understanding for Cooperation on Supporting Reform and Capacity Building in the Agricultural Sector. Signed in 2005, these agreements were meant to assist Iraq in expanding regulatory reforms to promote investment.<sup>487</sup>

### U.S. Chamber of Commerce Mission

The U.S. Chamber of Commerce's Iraq Business Initiative (IBI) conducted a one-week mission to Iraq in July–August 2010 to discuss ongoing and future rebuilding needs. The mission visited Baghdad and Basrah provinces, where several high-level GOI leaders took part in meetings—including the governor of Basrah, the senior advisor for the Iraqi Ministry of Trade, and deputy directors general from the Foreign Economic Relations Department, Private Sector Development Department, Iraq Grain Board, State Company for Construction Materials, and State Company for Food Stuffs.<sup>488</sup>

Advisors from the Chamber of Commerce have emphasized the need to build on the momentum of gains in political stability and security. The summer tour was a prelude to a series of Iraq-related events that IBI had scheduled for 2010, including meetings held in Washington, D.C., in September with U.S. and Iraqi trade officials, as well as a third trade mission to Iraq in November. The upcoming mission will feature events in Baghdad, Basrah, and Erbil.<sup>489</sup> ♦



## PUBLIC SERVICES

### Electricity

As of September 30, 2010, the United States had obligated \$5.06 billion and expended \$4.95 billion to improve Iraq's generation, transmission, and distribution of electricity.<sup>490</sup>

#### Supply and Demand

This quarter, Iraq's average supply of electricity, its estimated demand for electricity, and the gap between supply and demand all were higher than ever. Averaging 6,540 megawatts (MW), this quarter's supply (which includes imports) on Iraq's national grid was about 102 MW, or less than 2%, above the previous record high set during the same quarter last year. Over that same one-year period, average electricity demand increased by 2,378 MW, or 23%, to reach 12,604 MW. This quarter's supply met 52% of estimated demand, compared with 63% during the same quarter last year.<sup>491</sup>

#### Production and Imports

Power plant production averaged 5,894 MW this quarter, up 8% from last quarter and 2% from the same quarter last year. Increased output from hydroelectric plants was the most significant factor. Hydroelectric production rose by 244 MW (56%) over the past year and reached its highest level in three years; and output from diesel plants increased by 134 MW (85%), primarily because the "power-ship" in Basrah came online. These increases were partially offset by decreased output from combustion turbine and thermal power plants. Compared with the same quarter last year, combustion turbine production decreased by 65 MW (2%), while thermal dropped by 188 MW (9%), primarily because of unplanned outages.<sup>492</sup>

Electricity imports this quarter averaged 646 MW, down 100 MW (13%) from last quarter and 23 MW (3%) from the same quarter last year. Electricity



Increased sales and use of electrical appliances have contributed to the widening gap between electricity supply and demand.

generated in Iran accounted for 77% of this quarter's imports.<sup>493</sup> The remainder was imported from Turkey into Dahuk in the Kurdistan Region. The agreement for the Turkish imports is set to expire by the end of 2010, and a decision to renew it will likely be influenced by how soon the new, 500 MW privately owned power plant under construction in Dahuk starts operating. The Kurdistan Regional Government currently expects that two of that plant's four units will be on line by the end of the year and that the other two will be operational in February 2011.<sup>494</sup>

#### Growth in Demand

The growth in electricity supply has not kept pace with demand. Ever since 2003—when the United Nations lifted economic sanctions on Iraq, the Coalition Provisional Authority raised expectations that Iraqis would soon have ample power, and the United States and the international community began working with Iraq to rebuild its infrastructure and economy—demand for electricity has steadily risen. Electrical appliances have flowed into Iraq from around the world, and Iraqis have been buying new televisions, refrigerators, heaters, and air conditioners. Construction of new water treatment plants, hospitals, schools, and

The growth in electricity supply has not kept pace with demand.



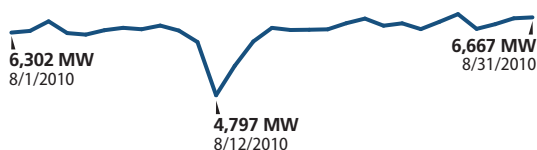
commercial buildings has also added to the load on the national grid. And the oil and gas industry, Iraq's largest industrial consumer of electricity, may be on the verge of rapid growth. Moreover, not only is the price of electricity from the national grid kept artificially low by government subsidies, but the Ministry of Electricity (MOE) lacks the needed systems including electric meters for billing customers. The record demand this quarter reflects all these factors, exacerbated by the summer heat.<sup>495</sup>

According to the Electricity Master Plan prepared by Parsons Brinckerhoff in consultation with the MOE, demand will likely rise approximately 10% annually for the next 5 to 10 years, roughly tracking estimated growth in GDP. The plan also estimates that the opportunity cost to Iraq of unrealized economic growth due to electricity shortages is approximately \$42 billion per year.<sup>496</sup>

For quarterly averages of domestic production and imports, relative to estimated demand, since July 2009, see Figure 4.16. For quarterly supply and demand since January 2004, see the Insert that accompanies this Report.

## Attacks on Electricity Infrastructure

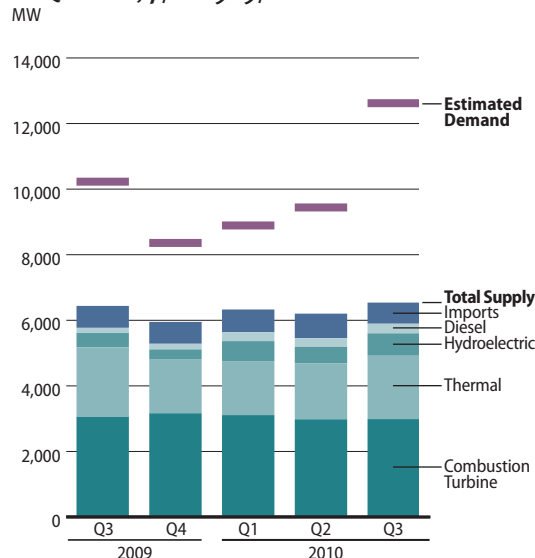
The number of reported attacks on the electricity infrastructure in 2010 has continued to rise—from 2 in the first quarter, to 16 in the second, to at least 32 in the third. According to USF-I, 13 of this quarter's attacks caused some damage. One of them, an August 12 attack on the Mosul Gas power plant, halted production at the plant for two days, disrupting supplies on the national grid:



Most attacks this quarter appear to have targeted transmission towers, and needed repairs were generally completed within a few days. According to USF-I, although no specific group or organizations have taken credit for these attacks, al-Qaeda in Iraq has attacked electricity towers over the past few

FIGURE 4.16

## ELECTRICITY SUPPLY AND ESTIMATED DEMAND, BY QUARTER, 7/2009–9/2010



Sources: ITAO/ESD, *Electric Daily Performance Reports*, 7/1/2009–9/28/2010.

months as part of an extortion campaign to raise operating funds for the organization.<sup>497</sup>

## Efforts To Increase Supplies

USACE reports that it has completed more than 600 electricity projects in Iraq.<sup>498</sup> When asked this quarter when Iraqis could expect to have electric power 24 hours per day, the commander of USACE's Transatlantic Division estimated that Iraq would not have the infrastructure in place—including generation, transmission, and distribution facilities—to meet the 2010 level of demand until 2013 or 2014 at the earliest. Moreover, he acknowledged that Iraq's economic growth would continue to push demand above today's level.<sup>499</sup>

## Electricity Master Plan

According to U.S. Embassy-Baghdad, the U.S.-sponsored Electricity Master Plan's *Generation Report*, released on August 24, makes several recommendations to the MOE for addressing the supply-demand gap. Among them, the report calls for continued importation of electricity from

The number of reported attacks on the electricity infrastructure in 2010 has continued to rise.

The report calls for continued importation of electricity from foreign sources.

foreign sources and for accelerated implementation of the MOE's current engineering, procurement, and construction (EPC) contracting process for the General Electric (GE) and Siemens turbines purchased under the "Mega Deal." The report also recommends that the MOE transition to natural gas as a fuel for generators once the necessary transportation infrastructure exists, but it estimates that the MOE will have to rely primarily on heavy fuel oil for three to five years. The report suggests that renewable energy offers little immediate potential because it is not economically competitive.<sup>500</sup>

### New Generation Capacity

U.S. Embassy-Baghdad reports that there were no notable new developments this quarter regarding the MOE's "Fast Track Deal" to build three new power plants using combustion turbines purchased from GE. URUK Engineering Services, the contractor for the Taji site, commenced work in May 2010. SNC-Lavalin and IFC, the contractor consortium for the Hilla and Kerbala sites, have started site clearing but have not fully mobilized to the sites pending resolution of a letter-of-credit issue.<sup>501</sup>

The letters of credit for the 72 combustion turbines included in the Mega Deal with GE and Siemens are fully funded. The MOE is currently engaged in an EPC contracting process for installation of 20 of the 125 MW GE turbines at three sites: al-Khairat, Qudas, and Ninewa. In August, the MOE accepted 32 technical bids for those sites, and it subsequently narrowed the list to four bidders per site. U.S. Embassy-Baghdad expects that final awards will be made in late October and that work will begin at the sites in early 2011 and be completed in about two years. After these turbines come on line, they will add a total of 2,500 MW of nameplate generation capacity to the Iraqi grid. According to the Embassy, the MOE's plans to contract additional EPC sites for GE and Siemens units in the future are unclear at this time. The MOE expects to issue a tender for bids on four independent power producer projects with GE units from the Mega Deal in late October. This process is behind schedule.<sup>502</sup>

Primarily as a result of U.S.-funded projects, combustion turbine plants now generate the largest share of Iraq's electricity. In terms of output, however, the largest single power plant now operating in Iraq is the al-Musayab thermal plant, which has 1,200 MW of nameplate capacity and produced, on average, 687 MW this quarter. In terms of nameplate capacity, the largest plant is the Baiji thermal plant (1,320 MW of capacity, but only 309 MW of production).<sup>503</sup> This quarter, there were at least two announcements regarding plans to build new thermal plants that could equal or dwarf the capacity of the al-Musayab and Baiji plants:

- The acting Minister of Electricity signed a memorandum of understanding in July with French engineering company Alstom for three electricity infrastructure projects, including development of a turnkey 1,200 MW oil-fired thermal power plant in Basrah.<sup>504</sup>
- In September, the Council of Ministers (CoM) approved a request by the MOE to expand the capacity of a new thermal plant that Shanghai Electric has been building in Wasset province. When construction began in 2008, the plant's capacity was to be 1,320 MW. The additional generating units authorized by the CoM would almost double the planned capacity. At 2,540 MW, the Wasset thermal plant would be the largest power plant in Iraq.<sup>505</sup>

### Recently Completed and Ongoing U.S.-funded Projects

USACE reports that it completed six electricity projects, with a combined value of \$15.3 million, this quarter. All were funded by the ESF. The largest was a \$5.8 million project to construct overhead and underground transmission lines between Abasiya and Hurriya in Najaf province.<sup>506</sup>

As of September 30, 2010, 19 USACE electricity projects with a combined value of \$122.4 million were ongoing. The two largest—construction of the Farabi and Jamila substations in Sadr City and construction of another in Ramadi—are USACE's last IRRF-funded electricity projects. Both projects

were initiated in 2006, and they are now expected to be completed by January 2011 for a total cost of \$83.9 million. The other ongoing projects, totaling \$45 million, are funded by the ESF.<sup>507</sup>

According to USF-I, 29 electricity projects funded with FY 2010 appropriations to the Commander's Emergency Response Program (CERP) were underway at the beginning of this quarter. These projects had a combined value of \$11.9 million and ranged from \$13,500 to \$745,484. Of the six ongoing projects valued at more than \$500,000, four were for the design, installation, and testing of feeder lines in different areas of Diwaniyah; together, they were expected to cost more than \$2.5 million. The other two large CERP projects (one costing \$667,000 and the other \$600,000) were for substation maintenance in Wassit.<sup>508</sup>

## Water and Sanitation

Water and sanitation service has improved for many Iraqis since 2003, but a substantial portion of the population still lacks adequate access to these essential public services. According to the Iraqi Ministry of Municipalities and Public Works, Iraq now has 251 functioning water treatment plants and an additional 2,330 smaller compact-water and reverse-osmosis units.<sup>509</sup> Roughly 80% of Iraqis living outside of Baghdad and the Kurdistan Region have access to potable water, while the number has climbed to 89% in Baghdad; and more than 40% of Iraqis now have access to wastewater treatment.<sup>510</sup> To help address unmet demand, the GOI has called for \$5.5 billion in water and sewage projects.<sup>511</sup>

As of September 30, 2010, the United States had obligated \$2.65 billion and expended \$2.56 billion to rehabilitate Iraq's water and sanitation sectors.<sup>512</sup> According to U.S. Embassy-Baghdad, U.S.-funded water projects have provided potable water for almost 9 million Iraqis.<sup>513</sup> While Iraqi officials have told SIGIR that they are pleased with a number of "good" U.S.-funded water projects, they also



Workers in Iraq drill a drinking-water well. (USAID photo)

complained that some projects were executed without GOI supervision and that others were poorly constructed or left unfinished.<sup>514</sup>

A SIGIR evaluation of two IRRF-funded water treatment plants released this quarter supported this mixed message:<sup>515</sup>

- On the one hand, SIGIR found that the \$185 million Ifraz Water Treatment Plant in the Kurdistan Region functioned at near 100% capacity, that 88% of the people serviced by the plant were satisfied with water availability, and that 85% were satisfied with water quality.
- On the other hand, SIGIR found that the \$277 million Nassiriya Water Treatment Plant was producing water at only 61% of capacity (a number that fell to 20% whenever the plant relied on generators because of electricity shortages), that 23% of the people serviced by the plant were satisfied with water availability, and 5% were satisfied with water quality.

For an overview of SIGIR's evaluation of these two plants, see Section 5.

Iraqi officials complained that some projects were executed without GOI supervision and that others were poorly constructed or left unfinished.

### Water Availability

Increased rainfall has resulted in a rise in the Tigris-Euphrates Watershed by 150%–300% through the first half of this year, but Iraq still suffers from a lack of sufficient water for irrigation and drinking. Reservoir levels for 2010 are expected to be equal to or higher than last year's levels, but it will take time for Iraq to recover from the lingering effects of a prolonged drought. In March, Ministry of Water Resources officials predicted that water availability would be worse in 2010 than in previous years, despite increased rainfall, because more than 70% of Iraq's water originates outside Iraq. Talks on water-sharing with Iraq's neighbors have not yet yielded results. Iraqi officials reported that they cannot buy enough water to make up the shortfall. Adding to these problems, a low flow of water in the Shatt Al-Arab waterway in southern Iraq has caused significant backflow of highly saline water from the Persian Gulf; technical problems at the Mosul Dam have reduced the amount of water that can be controlled and stored at the site; and some irrigation systems waste water because of poor design.<sup>516</sup>

### Recently Completed and Ongoing U.S.-funded Projects

USACE reported that as of September 30, 2010, it had completed 924 water-related projects for \$1.5 billion.<sup>517</sup> This quarter, it completed nine projects with a combined value of \$28.9 million, including the following:<sup>518</sup>

- The \$10 million ESF-funded **Garma Water Reverse Feeding** project in Basrah province upgraded the existing compact-unit water treatment system.
- The \$4.7 million O&M program—funded by Provincial Reconstruction Development Council (PRDC) monies—at the **Dokan-Sulaymaniyah Water Network** increased the longevity of the infrastructure and improved sustainability of the operational system.
- The \$4.9 million IRRF-funded **Falluja Sewer System Pump Station F5** is a segment of the ongoing Falluja Waste Water Treatment System

project, a \$98 million effort to provide sewerage service to residents in Anbar province.

- The \$4.1 million ESF-funded **Water and Sewage Master Plan** for Babylon province was completed in September.

At the end of the quarter, USACE had 30 ongoing water and sanitation projects with a combined value of \$151.7 million.<sup>519</sup> The three largest were funded by the IRRF, including:

- **The Eastern Euphrates Drain.** Originally slated for completion in January 2009, this \$38.5 million project is now expected to be finished by December 31, 2010. The project aims to boost Iraq's irrigation capabilities by reclaiming more than 58,000 hectares of agricultural land and removing excess saline water from more than 400,000 hectares of irrigated land. The project has been delayed by real estate issues and the need for an additional crossing.<sup>520</sup>
- **The WS/Falluja Sewer System.** The \$31.7 million project is the “backbone” of the Falluja Waste Water Treatment System. Started in 2006, construction of the system has been subject to multiple delays due to design complexity, a lack of available skilled labor, and what a USACE official called a “kinetic” security situation. Completion of this segment of the project—previously slated for April 2010 following the announcement of scaled-down plans—is now expected in December 2010. Sewage connections to 9,300 Iraqi homes are set to be completed in March 2011.<sup>521</sup>
- **Meshkab Water Supply Project.** Completion of this \$23.6 million project to build a water treatment plant in Najaf province is now set for the end of the year. The facility is designed to provide clean drinking water to about 200,000 residents.<sup>522</sup>

Among USACE's other ongoing projects are construction of the **al-Kibla Sewer and Storm Network** and the **al-Abbas Sanitation Network**, both in Basrah province. These two ESF-funded

It will take time for Iraq to recover from the lingering effects of a prolonged drought.

projects each cost slightly more than \$11 million and are expected to be completed in the spring or summer of 2011.<sup>523</sup>

As of the beginning of this quarter, there were 106 ongoing water and sanitation projects funded with FY 2010 CERP appropriations. They had a combined value of \$20.42 million, and three were valued at greater than \$500,000. Two of them (one costing \$989,000 and the other \$650,000) were for refurbishment of the **Diwanayah Water Treatment Facility** in Qadissiya province. The third was a \$905,500 sewage treatment project in Anbar province.<sup>524</sup>

## Transportation and Communications

As of September 30, 2010, the United States had obligated \$1.13 billion and expended \$1.06 billion to rehabilitate Iraq's transportation and communications sectors.<sup>525</sup>

### Ports

Work continued this quarter on construction of the \$53 million, GOI-funded Umm Qasr Pier and Seawall. USACE reported that construction of supporting facilities at the port—a \$46 million piece of the project that includes power distribution, water supply and distribution, refueling infrastructure, road access, and lighting—was 98% finished and due to be completed by October 17, 2010.<sup>526</sup> Additionally, a \$498,000 CERP-funded project to

provide 10 steel navigation buoys at the port was ongoing at the beginning of this quarter.<sup>527</sup>

Meanwhile, the U.S. Department of Transportation (DoT) worked with Iraqi officials to improve the shipping capacity at Umm Qasr, which has been constrained by silting of the waterways and remaining war debris.<sup>528</sup> With the completion of debris clearing at Quay 4, Iraq's Ministry of Transportation (MOT) reported that both the Umm Qasr port and the al-Zubair channel are now clear.<sup>529</sup> Port infrastructure—including cranes, rail lines, and road connections—has been rehabilitated, and the port authority has issued commercial contracts for a number of berths.<sup>530</sup>

With the way cleared for larger vessels, the MOT announced the opening of new container loading stations at Umm Qasr, as well as new contracts with firms from Germany, France, Kuwait, Great Britain, and the United Arab Emirates to reconstruct more stations.<sup>531</sup>

### Roads and Bridges

USACE reported it had completed 297 village roads and expressways as of September 30, 2010, and an additional 16 projects were ongoing this quarter. Grant funding for three large projects in Salah Al-Din province expired before they were complete. The al-Sharqat Bridge, originally an \$8 million IRRF-funded project, was 88% complete when the grant expired. The other two projects, each valued at \$7.8 million, were for construction of two segments of a 40-kilometer highway called the Baghdad-Kirkuk Carriageway. The northern segment was three years behind schedule when

There were 106 ongoing water and sanitation projects funded with FY 2010 CERP appropriations.



Cargo sits at the Iraqi port of Umm Qasr in Basrah province. (GOI photo)



Work on the southern segment of the Baghdad-Kirkuk Carriageway was stopped when the project was 89% complete. (USACE photo)



work was stopped; the southern segment was 89% complete when work on it stopped.<sup>532</sup>

## Railroads

Efforts to expand Iraq's railroad service continued this quarter. Following an inaugural trip in February of this year, the Iraqi Republic Railway Company (IRR) began offering regular weekly service between Mosul and Turkey, and Iraqi officials continued intermittent negotiations to establish rail links with Kuwait, Jordan, and Saudi Arabia in a bid to complete a continuous Euro-Gulf rail route.<sup>533</sup>

U.S.-funded O&M training also continued this quarter for the railway's \$48.1 million communications-based train control system, known as the Digital Microwave Radio Communications Network (DMRCN). The first phase of training, an \$826,000 project, ended this quarter, and the second phase, funded at \$3.71 million, is scheduled to end next year. Training covers on-site corrective and preventative maintenance, system security and continuity, and other O&M skills. Segments of the track will use the communications network as IRR workers become familiar with the digital system.<sup>534</sup>

## Airports

Transfer of air traffic control to the Iraq Civil Aviation Authority (ICAA) proceeded on schedule this quarter as the ICAA took control of airspace above 15,000 feet in the northern half of Iraq on September 1, 2010. The next phase of transfer is slated for November 2010, when the ICAA is scheduled to take control of air traffic above 15,000 feet in the southern half of the country. The ICAA had previously been in control of airspace only above 24,000 feet. Total control of airspace is slated to transition to Iraqi controllers at various times throughout 2011, depending on communication, navigation, and surveillance improvements.<sup>535</sup>

On August 1, 2010, the ICAA stopped relying on DoS to oversee Iraq's air traffic control services contract, and instead has contracted with the Washington Consulting Group for services through



Germany inaugurated its first Lufthansa flight to Erbil International Airport earlier this year. (KRG photo)

December 31, 2010. In addition to that change, the ICAA continued this quarter toward its goal of meeting International Civil Aviation Organization (ICAO) standards by requesting a security audit program and a safety oversight audit program, moves described by U.S. Embassy-Baghdad as “positive steps” toward aviation independence. Additionally, a U.S.-funded UNDP contractor has begun training ICAA personnel in air traffic services, aviation security, and flight safety and standards. To help enable the ICAA to rely less on expatriate workers, 27 Iraqis began training at the Pan Am International Flight Academy in Miami, Florida, on October 3, 2010.<sup>536</sup>

Meanwhile, international air travel to Iraq continued to increase as several European and Arab carriers resumed commercial flights to Iraq. Religious pilgrims, tourists, and business travelers now have expanded options on budget and premium carriers.<sup>537</sup> The Erbil International Airport's new terminal and runway opened for business in September, and commercial flights between Dubai and both Erbil and Sulaymaniyah began this quarter. Germany's Lufthansa, Austrian Airlines, and a subsidiary of Air France are in discussions with the ICAA to begin commercial flights to Baghdad. Iraq's MOT announced this quarter agreements with Saudi Arabia and Yemen to resume commercial flights between the two countries for the first time since the first Gulf War.<sup>538</sup> For an overview of air carriers operating commercial flights to Iraq, see Table 4.9.

International air travel to Iraq continued to increase as several European and Arab carriers resumed commercial flights to Iraq.



## Telecommunications

The completion date for construction of the \$18.3 million al-Mamoon Exchange and Telecommunications Center in Baghdad is now estimated to be June 2011. USACE reported that as of October 2, 2010, the IRRF-funded project was 53% complete. Construction of the tower previously had suffered from lack of progress by the contractor, and the project was re-awarded in July 2009.<sup>539</sup>

The total cellular lines in Iraq exceeded 21 million in March 2010, and cell-phone use continued to grow this quarter, as Zain, a Kuwaiti telecom company with a 15-year license to operate in Iraq, announced plans to launch operations in northern Iraq in January 2011. The company said it expects to gain 2 million subscribers by the end of 2011. Zain is currently Iraq's biggest telecom provider and competes primarily with Asia Cell and Kurdish-run Korek for market share of Iraq's mobile phone industry.<sup>540</sup>

## Health Care

### U.S.-funded Construction of Health Care Facilities

USACE estimated that as of September 30, 2010, its completed projects had enabled Iraqi hospitals to treat approximately 6.6 million inpatients and 4.6 million outpatients each year.<sup>541</sup> This quarter, USACE continued to oversee three ESF-funded health care projects, the largest of which is construction of the Missan Surgical Hospital, described below. The others included construction of an \$8 million surgical wing at Ba'quba General Hospital in Diyala province and upgraded facilities at the Ibn Sena Cardiac Center in Mosul, Ninewa province, at a cost of \$4 million.<sup>542</sup>

As of the beginning of this quarter, there were 31 ongoing health care projects funded with FY 2010 CERP appropriations. They had a combined value of \$4.3 million, and the largest was a \$980,000 project to refurbish a wing of the Hammad Shehab Hospital in Baghdad province.<sup>543</sup>

TABLE 4.9

FOREIGN AIRLINES WITH FLIGHTS INTO IRAQ, AS OF 10/2010

AIRLINE	AIRPORTS OUTSIDE OF KURDISTAN REGION			AIRPORTS IN KURDISTAN REGION	
	BAGHDAD	BASRAH	NAJAF	ERBIL	SULAYMANIYAH
Air Berlin				✈	
Air Sweden				✈	
Atlas Jet				✈	
Austrian Airlines	✈			✈	
Cham Wings Airlines	✈		✈		
Etihad Airways	✈			✈	
Flydubai				✈	
Gulf Air	✈	✈	✈	✈	
Lufthansa	✈			✈	
Mahan Air			✈		
Middle East Airlines	✈			✈	
Qatar Airways	✈				
Royal Jordanian	✈	✈		✈	✈
Turkish Airlines	✈				
Viking Airlines	✈			✈	✈
Zozik Air					✈

Note: List may be incomplete or may change.

Sources: The websites of each airport and airline.

### Missan Surgical Hospital

The Missan Surgical Hospital project has suffered problems and delays since construction to build the 80-bed hospital began in November 2007.

U.S. Embassy-Baghdad reported that costs for both phases of construction were \$13.8 million, but USACE reported that both phases were slated to cost \$12.6 million.<sup>544</sup>

U.S. Embassy-Baghdad reported that the project has been hampered by limited skilled labor, interference in hiring by a local Iraqi leader, a high water table on site that required significant unexpected work, attacks on security personnel, and the inability of a local contractor to incorporate the high-tech designs originally planned for the hospital. The plans were modified so that Iraqis would be able to sustain hospital operations after the facility is transferred to their control. SIGIR's



The Missan Surgical Hospital under construction in Missan province. (USACE photo)

2009 inspections of the facility revealed a workforce too small for the job, poor construction, and a lack of design drawings for water supply and wastewater facilities. This quarter, USACE reported that the project schedule was to be revised by the contractor and that some designs were still not up to acceptable standards for hospital construction. The completion date is now set for June 2011.<sup>545</sup>

According to U.S. Embassy-Baghdad, the Ministry of Health (MOH) has begun to identify potential staff sufficiently trained to operate the hospital, but has opted not to order necessary equipment or furniture until outstanding construction issues are resolved.<sup>546</sup>

### Basrah Children's Hospital

The \$165 million Basrah Children's Hospital was inaugurated in May 2010, nearly five years behind schedule, but did not open until September 20—and then only for one day, due to problems with the electricity supply—according to U.S. Embassy-Baghdad. It re-opened for pediatric outpatient care on September 27. Although the hospital's connection to the electricity grid is complete, frequent outages and voltage fluctuations disrupt operations. The hospital has generators, but they do not provide the steady output required to run high-performance equipment.<sup>547</sup>

The MOH had planned to open the hospital incrementally, with the goal of having a fully functioning pediatric oncology hospital operating within two years. It was unclear how the lack of steady electricity might affect that schedule. On

October 4, the MOH transferred 40 patients from an area maternity and children's hospital to the Basrah facility to receive inpatient treatment.<sup>548</sup>

Construction of the 94-bed hospital took significantly longer to build than originally planned because of inadequate contractor performance, unrealistic schedules, security issues, and unreliable GOI follow-through. It was also significantly more expensive than the original estimate of \$37 million. Ultimately, the United States contributed \$103.9 million to build the hospital, according to U.S. Embassy-Baghdad data provided this quarter. Spain (through the UNDP Trust Fund), the MOH, and Project HOPE contributed the remainder.<sup>549</sup>

### USAID Health Care Projects

USAID projects have focused on immunizing children against childhood diseases, renovating and equipping hundreds of primary health care centers, training staff, and distributing iron supplements to pregnant women.<sup>550</sup> Iraq still suffers from a lack of doctors, and USAID has been working to alleviate the physician shortage by encouraging hospitals to rely on other health care professionals, such as nurse practitioners.<sup>551</sup>

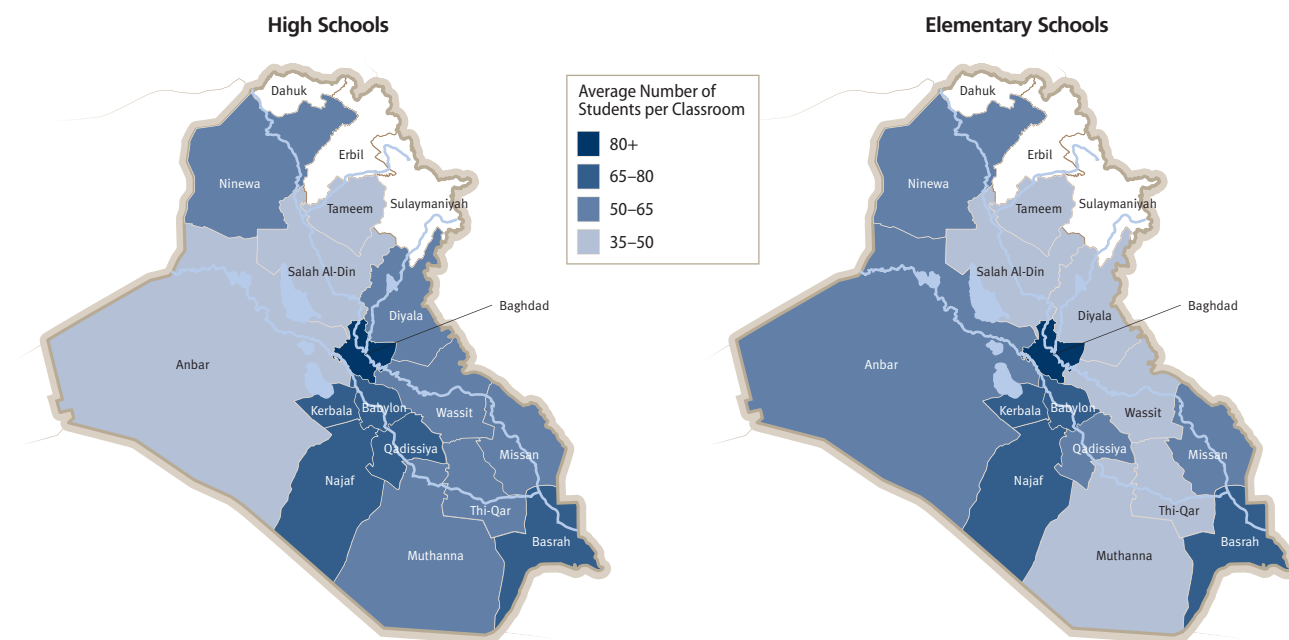
USAID's \$5 million Health Promotion Program in Iraq aims to help the MOH design, implement, and evaluate programs to improve public awareness of health issues, such as malnutrition and childhood obesity. As of September 30, 2010, \$2.5 million had been expended, and USAID is currently considering an extension of the program.<sup>552</sup>

### Education

Iraq's Ministry of Education IG reported severe overcrowding in Iraqi schools, with classes conducted in shifts at many schools that would otherwise hold 80 to 100 students per classroom. Some schools are built of mud, classes are held in tents, and many schools lack bathrooms, according to

Although the hospital's connection to the electricity grid is complete, frequent outages and voltage fluctuations disrupt operations.

FIGURE 4.17  
CLASSROOM DENSITY IN IRAQ'S PUBLIC SCHOOLS



**Note:** Information is not available for the Kurdistan Region.

**Source:** GOI, Ministry of Education, response to SIGIR data call, 10/12/2010.

the official.<sup>553</sup> Figure 4.17 shows the average number of students per classroom in the 15 provinces outside the Kurdistan Region.

The ministry plans to build 12,000 additional schools in the next five years to address current shortages as well as expected population growth. However, according to the ministry's IG, the education sector does not receive sufficient capital budget allocations, and there have reportedly been problems obtaining land deeds for planned sites. Notwithstanding the long-term need for larger budget outlays to serve Iraq's school children, the ministry's IG reported that bureaucracy and corruption contributed to poor budget execution last year. Moreover, many schools under construction remain unfinished because contractors are not equipped to fulfill building contracts. Teachers' salaries remain low, which has discouraged recruitment to meet

increased staffing needs. Although thousands of Iraqi schools have computers, demand outpaces supply, and many cannot be operated because of electricity shortages.<sup>554</sup>

To address some of these issues, the IG reported that his office inspected 432 schools this year, held 15 seminars on integrity and anticorruption, audited 95 ministry contracts, and evaluated 10 of 40 departments and general directorates. Of 921 cases received by the IG, 220 are under investigation.<sup>555</sup>

## UN Reports on Literacy

This quarter, the UN Inter-Agency Information and Analysis Unit (IAU) released a report claiming that one in five Iraqis between the ages of 10 and 49 cannot read or write. The IAU found that illiteracy was more prevalent among women (24% vs. 11% for men) and Iraqis living in rural areas (25% vs. 14% for urbanites).<sup>556</sup>

The ministry's IG reported that bureaucracy and corruption contributed to poor budget execution last year.

### U.S.-funded Education Projects

USACE reported that as of September 30, 2010, it had completed 1,159 construction projects in the education sector, including three ESF-funded 12-classroom schools costing more than \$1 million that were finished this quarter in Qadissiya, Thi-Qar, and Babylon provinces. In addition, it had 27 ongoing projects to build or rehabilitate schools.<sup>557</sup>

There were also two ongoing non-construction PRDC projects: a \$245,000 ESF-funded segment of a \$5.6 million nationwide project to provide one-on-one mentoring to Iraqi engineers and a \$2.6 million ESF-funded segment of a \$4.8 million project to train professional engineers. USACE oversees both projects, which are scheduled to end in March 2011.<sup>558</sup>

According to data provided by USF-I, there were 133 CERP-funded education projects valued at nearly \$16.1 million ongoing at the beginning of this quarter. The largest was a \$498,000 project to build a youth center in Thi-Qar province. There was also a \$490,000 project to provide medical supplies to the Baghdad Veterinary College. Dozens of elementary and secondary schools were under construction, including at least 59 in Diyala province, where the GOI has funded ethnosectarian reconciliation.<sup>559</sup>

The DoS-run PRT program provides support for the sector through more than \$4 million in Quick

Response Fund grants for a wide range of activities, including educator training and projects to provide books, equipment and distance-learning technology.<sup>560</sup> DoS also supports Iraq's Fulbright Foreign Student program—the largest in the Middle East—through the Visiting Scholars Program. This summer, 25 Iraqi professors, administrators, and deans spent 10 weeks at U.S. universities.<sup>561</sup>

### Public Distribution System

Iraq's Public Distribution System delivers a basket of goods to Iraqis, providing a safety net for approximately 2.8 million people who rely on the rations for subsistence.<sup>562</sup> This quarter, the head of the Iraqi Grain Board, under the Ministry of Trade, announced that the country will have enough wheat reserves to distribute to the public through the end of this calendar year. The board, which purchases and allocates staple crops and distributes them through a rationing program, plans to solicit tenders to rice suppliers to ensure that the staple crop meets Iraqi demand until next year.<sup>563</sup> The board continued to import rice from Vietnam and elsewhere, and claimed that Iraq remained unaffected by Russia's August decision to ban grain exports through December 2010.<sup>564</sup> ♦

The Iraqi Grain Board announced that the country will have enough wheat reserves to distribute to the public through the end of this calendar year.



# SIGIR OVERSIGHT

SIGIR AUDITS	114
SIGIR INVESTIGATIONS	124
SIGIR EVALUATIONS	139
SIGIR HOTLINE	142
SIGIR WEBSITE	143
LEGISLATIVE UPDATE	144

## SECTION

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# 5



SIGIR AUDITS

Since March 2004, SIGIR has issued 177 reports. From August 1, 2010, to October 31, 2010, SIGIR issued five audits addressing a wide range of reconstruction issues and one nonaudit report that described the methodology SIGIR used to conduct its forensic audit effort. They included:

- a report on the Department of Defense (DoD) management and oversight of Iraqi vested and seized asset funds
- a report on the management and outcomes of the Iraqi Police Training Program
- a report on the Department of State (DoS) management of democracy grants to the National Democratic Institute
- a report updating SIGIR’s forensic audit efforts
- a report on the goals, outcomes, costs, and transition status of the Iraqi Special Operations Force Program
- a report on the SIGIR forensic audit methodology

For a list of these audit products, see Table 5.1.

SIGIR currently has 16 ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR Audits for This Quarter

*National Democratic Institute Grant’s Security Costs and Impact Generally Supported, but Department of State Oversight Limited*  
(SIGIR 11-001, 10/2010)

Introduction

This report addresses Department of State (DoS) management of a \$50 million grant to the National Democratic Institute (NDI) for democracy-building activities in Iraq. This is the largest grant awarded to NDI by the Bureau of Administration, Office of Acquisitions Management (AQM) on behalf of the Bureau of Democracy, Human Rights, and Labor (DRL) and is intended to support governance, political-party, and civil-society programs in Iraq. DRL’s mission is to lead U.S. efforts to promote democracy, protect human rights and international religious freedom, and advance labor rights globally.

In a prior audit, SIGIR found that both NDI and the International Republican Institute (IRI), which also received DRL democracy grants, had significant security costs, and DRL did not have documentation on whether either grant was meeting

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 7/31/2010

REPORT NUMBER	REPORT TITLE	DATE ISSUED
11-001	National Democratic Institute Grant’s Security Costs and Impact Generally Supported, but Department of State Oversight Limited	10/2010
11-002	Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds	10/2010
11-003	Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown	10/2010
11-004	Iraqi Security Forces: Special Operations Force Program Achieving Goals, but Iraqi Support Remains Critical to Success	10/2010
11-005	Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5	10/2010
11-006	Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds	10/2010

its goals (SIGIR 10-012). Subsequently, SIGIR reviewed IRI's largest DRL grant more in depth (SIGIR 10-022). In this follow up audit, SIGIR's objectives are to examine for NDI's \$50 million DRL grant, the reasonableness, allowability, and allocability of NDI's claimed security costs, and the extent to which the grantee documented its success in achieving governance, political participation, and civil-society goals and objectives.

## Results

NDI's \$13.5 million in security costs charged to the grant were generally reasonable, allowable, and allocable in accordance with federal regulations except for overhead costs. To assure reasonableness of costs, the grantee engaged in open competition and selected the contractor based on a cost analysis. Security costs were allocated among its grants to best assure that costs were distributed in reasonable proportion to the benefits received from the grants as required under Federal regulations governing grant management. Additionally, SIGIR's analysis did not identify any instances where the grantee paid for any unallowable items.

SIGIR found, however, that the grantee appears to have charged more for security contract administration, which is an indirect cost, than allowed, which reduces the amount of funds available for direct program activities. To illustrate, according to a negotiated indirect cost agreement with the U.S. Agency for International Development (USAID), in fiscal year (FY) 2009, NDI should have charged only \$17,925 as indirect security costs for all federal grants receiving benefits from its security contractor, but instead charged \$95,311 against just the one DoS grant under review. Therefore NDI appears to have overcharged the grant \$77,386 in overhead costs. NDI officials stated that they were operating in good faith and sought to ensure the appropriateness of their approach by maintaining regular communications with USAID. However, the USAID official who set the rates, and the DoS Grants Officer who was responsible for monitoring the grant, stated they were unaware of how the

grantee was calculating indirect costs. This mirrors SIGIR's finding from its previous report on IRI. Furthermore, required annual audits and progress reports provided limited insight into such specific financial management practices. DoS officials stated that in response to SIGIR's work, Grants Officers will take a more active role in overseeing awards in the future and have recently received authority to hire additional staff. Until that occurs, DoS will not be providing the level of financial oversight that its internal policy manual and sound management practices require. Unless a more in-depth audit is conducted, DoS would be unable to determine whether any funds should be recouped.

SIGIR confirmed that the grantee maintained comprehensive information on what activities it led to further democratic goals and objectives, and the grantee conducted several impact assessments on the extent to which progress was made in meeting grant objectives. Nevertheless, the grantee does not have a systematic approach with clearly defined metrics to measure the impact of all of its work in meeting grant goals and objectives. DRL noted that it continues to take steps to improve monitoring and evaluation that SIGIR had previously noted. For example, it is requiring more comprehensive and empirically based impact assessments and is reviewing its staffing structure to assure it has adequate oversight. NDI officials stated that the organization has incorporated DRL's increased evaluation requirements in a recently awarded grant from DRL. Both in-depth assessments and improved DoS oversight will be needed to provide decision makers the capability to ensure that activities are designed and implemented to achieve program objectives.

## Recommendations

To improve DoS grant management, SIGIR is repeating two of the recommendations previously made regarding DoS management of grants to IRI which are applicable in the case of NDI with only minor modifications. SIGIR is recommending that the U.S. Secretary of State direct offices as

she determines appropriate to take the following actions:

1. Require the Grants Officers to instruct NDI to incorporate in its next A-133 audit a comprehensive audit of indirect costs and a compliance audit for at least one major DRL grant. Given the similar problems found in IRI and NDI grants, SIGIR also recommends that Grants Officers consider requiring these more comprehensive A-133 audits for all DRL grants.
2. Require the Grants Officer Representatives to enforce the grant requirements that NDI provide measurable indicators of their success in meeting grant goals and objectives.

## Management Comments and Audit Response

In written comments on a draft of this report, DRL, with AQM input, concurred with both recommendations. SIGIR believes the actions identified by management are responsive to this report's recommendations.

## Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds (SIGIR 11-002, 10/2010)

### Introduction

SIGIR performed this study to determine whether Department of Defense (DoD) organizations established controls to account for and track obligations, expenditures, and remaining unobligated vested and seized asset funds; and to determine whether DoD has plans to use unexpended vested and seized asset monies. Vested funds comprise Iraqi funds that had been frozen in U.S. bank accounts since Gulf War I and later transferred to U.S. government accounts. Seized funds comprise funds obtained from non-U.S. banks and from certain Iraqi state- or regime-owned property that was confiscated by Coalition forces and transferred to U.S. government accounts.

## Results

The Department of the Army (Army) established controls to account for the \$2.651 billion in vested and seized funds. It created separate accounts to track and report on obligations, expenditures, and remaining unobligated funds balances for each fund. Initially there were \$1.724 billion from vested assets and about \$0.927 billion from seized assets. Since the funds' inception, the Army produced monthly reports showing balances in each of these accounts. The separate accounts were approved by the Department of Treasury in collaboration with the Office of Management and Budget. Since FY 2004, vested and seized account balances have remained relatively constant, with changes generally related to the de-obligation of unused funds and payments of outstanding unliquidated obligations. There is currently \$47.4 million remaining in Army accounts. However, when SIGIR compared the Army accounts with Treasury accounts, it found that Treasury accounts show an additional \$10.7 million in the remaining balance. Although SIGIR could not determine the reason for the difference, it appears that the Army's accounting for these funds is accurate. As of July 31, 2010, the Army had no plans in place to spend the remaining \$47.4 million.

On May 29, 2003, the Deputy Secretary of Defense had delegated authorities, articulated in an Executive Order and a Presidential Memorandum for administering and accounting for vested and seized assets, to the Coalition Provisional Authority (CPA) Administrator for one year. Implementing procedures provided guidance for identifying and prioritizing projects that were to be funded from these two accounts. The CPA's authority expired on May 29, 2004, and the CPA disbanded in June 2004. No new guidance was issued to re-delegate responsibilities for identifying new projects on which to spend remaining funds. It is not clear that the funds remaining in these accounts are needed, given the limited use of these funds over the last two or more years. There are a number of alternative uses for the remaining funds, including identifying projects to

help the Iraqi people or returning the funds to the Iraqi government.

### Recommendations

SIGIR recommends that the Secretary of Defense direct the:

1. Under Secretary of Defense (Comptroller) to reconcile the differences in seized asset account balances between the Army and Treasury.
2. Under Secretary of Defense (Comptroller) to either issue new guidance to work with the Government of Iraq to use remaining funds to benefit the Iraqi people or seek new guidance from the Office of the President to clarify the disposition of these funds, to include the possibility of returning these funds to the Iraqi government.

### Management Comments and Audit Response

The Department of Defense concurred with SIGIR's two recommendations.

#### ***Iraqi Security Forces: Police Training Program Developed Sizeable Force, but Capabilities Are Unknown*** (SIGIR 11-003, 10/2010)

### Introduction

The Department of Defense (DoD) is responsible for managing the program to assist the Government of Iraq (GOI) in developing police forces capable of maintaining internal security. The Iraq Training and Advisory Mission (ITAM), under U.S. Forces-Iraq (USF-I), is responsible for managing the program for DoD. Management responsibility for the program is to transfer to the Department of State's (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) on October 1, 2011. DynCorp International, under a contract with INL, provides police advisors who assist with the training. The Ministry of Interior (MOI) oversees the Iraqi police forces in 15 of Iraq's 18 provinces, with the Kurdistan Regional



Counterinsurgency training for police service forces.

Government responsible for the remaining three provinces. Because of the program's significance in terms of U.S. investment and Iraqi security, SIGIR examined program outcomes, DoD's management and oversight, status of the transfer, and issues facing GOI that impact the capability and effectiveness of the police forces.

### Results

Since 2003, the United States has spent about \$7.3 billion on a program to help the GOI train, staff, and equip Iraqi police forces to maintain domestic order and deny terrorists a safe haven in Iraq. The program was unprecedented in its magnitude and conducted in a hostile environment with ongoing combat operations. In addition, the existing Iraqi police forces in 2003 were in very poor condition, and a new Iraqi government was in development. Despite these impediments, DoD reports that more than 400,000 Iraqi police have received training and are on the force. However, the capabilities of these forces are unknown because no assessments of total force capabilities were made.

There were weaknesses in program management in (1) program planning and assessments, (2) communications and coordination between organizations performing the training, and (3) oversight of contracted police advisors. The impact of these weaknesses on the program is difficult to quantify but undoubtedly led to inefficiencies and waste. For example, there was no comprehensive plan to guide the program to desired results or assessments to determine if the program was on track. Because

of the frequent rotations by military personnel, a comprehensive plan would have provided a foundation for program continuity as military units rotated in and out of Iraq. Also, police advisors, who were critical to the training program, were not always effectively monitored and utilized.

DoD is in the process of establishing Stability Transition Teams (STTs) to advise and assist the MOI and its forces over the next year. The STTs will be responsible for day-to-day management of the police advisors, and ITAM will be responsible for tracking them. This split in responsibilities was not well coordinated in the past and needs to be effectively managed in the future. Moreover, since DynCorp will be self-reporting on the utilization of police advisors, these reports need monitoring to check the validity of the information and to ensure police advisors are productively employed.

A significant challenge ahead will be effectively and efficiently transitioning the police training assistance program from DoD to DoS in 2011. To their credit, these agencies are working collaboratively on the transfer. However, DoS will be assuming responsibility for the program to advise and assist the police forces when the capabilities of those forces have not been assessed in any comprehensive way.

The long-term success of the Iraqi police training program is dependent on sustainment by the GOI and its ability to mitigate force structure, corruption, land-ownership disputes, and other issues adversely impacting the force. DoD and DoS need to continue to work with GOI officials to help them address these problems.

## Recommendations

Because DoS is to assume responsibility for the Iraqi police training program, and a comprehensive assessment of the capabilities of the Iraqi forces should be a key input for that continuing effort, SIGIR recommends that the Commanding General, U.S. Forces-Iraq, in consultation with the Assistant Secretary, Bureau of International

Narcotics and Law Enforcement Affairs, take the following action:

1. Work with the Ministry of Interior to help assess the capabilities of the Iraqi police forces and provide that assessment to INL.

Because DoD will continue to manage the program for the next year under a new management structure for police advisors, and because of prior problems with the management and oversight of advisors, SIGIR recommends that the Commanding General, U.S. Forces-Iraq, direct the Iraq Training and Advisory Mission to take the following actions:

2. Provide guidance to the STTs on their roles and responsibilities regarding police advisors.
3. Develop and implement procedures to periodically check the validity of the information received from DynCorp by comparing daily activity reports to summary information from those reports.
4. Monitor the activity reports to ensure that police advisors are productively employed and, if advisors are underemployed, seek corrective actions.

## Lessons Learned

DoD's experiences in the Iraqi police training program provide invaluable lessons learned that should be captured and applied in other contingencies, such as Afghanistan. Specifically, DoD needs to consider the adequacy of (1) its planning for and assessments of the training program, (2) guidance to organizations implementing the program, and (3) management and oversight of police advisors.

## Management Comments

USF-I and the Department of the Army Office of the Provost Marshal General concurred with the report's recommendations. USF-I and INL provided technical comments that SIGIR has addressed as appropriate.



***Iraqi Security Forces: Special Operations Force Program Achieving Goals, but Iraqi Support Remains Critical to Success***

*(SIGIR 11-004, 10/2010)*

## Introduction

SIGIR conducted this review to assess United States Forces-Iraq (USF-I) management of its program to develop the Iraqi Special Operations Force (ISOF). This is the Iraqi force primarily responsible for conducting counterinsurgency operations against insurgent and extremist networks and deny safe haven to terrorists. The program was carried out by the Joint Forces Special Operations Component Command–Iraq, assigned to USF-I and its predecessor organizations. In this report, SIGIR refers to these organizations collectively as U.S. Special Operations Forces (USSOF).

In March 2010, SIGIR issued an interim report (SIGIR 10-009) on contracts awarded to provide ISOF with a counterterrorism communications network and intelligence database. SIGIR made several recommendations in the report to improve contract management.

SIGIR's objectives in this report were to assess the extent to which the ISOF training program goals and outcomes were met, identify program costs, and assess the status of ISOF transition to the Government of Iraq (GOI) and the GOI's sustainability of the force.

## Results

The ISOF's demonstrated ability to independently conduct operations and missions and to sustain its equipment and facilities are indicators of the program's success. In developing the ISOF, the USSOF used established U.S. military processes, such as U.S. Army Special Forces training doctrine and a Modified Table of Organization and Equipment (MTOE) for a U.S. Army Special Forces unit. The training doctrine and the MTOE provided a sound basis for developing the ISOF. This, coupled with the USSOF's continuing adjustments, reassessments, and re-planning, provided a solid basis for



The United States provided about 450 High Mobility Multi-purpose Wheeled Vehicles to the ISOF.

developing the force. USSOF personnel also accompanied ISOF personnel on missions, documented the results, and provided feedback. These assessments document the progressive improvement and maturity of the ISOF's tactical and technical skills. Working together with its Iraqi counterparts, the USSOF assisted in training and equipping more than 4,100 ISOF soldiers as of March 10, 2010. These soldiers are deployed throughout Iraq, providing essential counterterrorism capabilities.

USF-I did not separately account for the funds used in developing the ISOF, and the total cost of the program is unknown. At least \$237 million from the Iraqi Security Forces Fund was used to equip and sustain the ISOF. In addition, an unknown amount from the Iraq Relief and Reconstruction Fund was used for procuring new equipment in support of all Iraqi security forces. However, the purchases were not identified to the Iraqi force receiving the equipment.

The long-term success of the ISOF lies in the hands of the GOI. Two issues point out the challenges in post-conflict stabilization operations. First, the extra-constitutional movement of the ISOF from the Ministry of Defense to the Office of the Prime Minister raises concerns about how the force will be used in the future. Second, uncertain GOI support—as evidenced by the lack of a dedicated budget, poor logistical and recruiting support, and the irregular payment of specialty pay—create concerns about the GOI's commitment to sustain the force. USF-I has been consulting with



its GOI/Ministry of Defense counterparts about these concerns and states that it will continue to consult on these issues. SIGIR supports this continuing engagement.

## Recommendations

This report contains no recommendations.

## Lessons Learned

SIGIR identifies two lessons learned that can be applied to training programs in other contingencies. In particular, USSOF's ability to provide continuous oversight and continuity of trainers were critical elements in the success of the ISOF program.

## Management Comments

Because this report contains no recommendations, the responsible agencies were not required to, and did not, submit comments.

## *Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5*

(SIGIR 11-005, 10/2010)

## Introduction

Public Law 108-106 requires the Special Inspector General for Iraq Reconstruction (SIGIR) to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq, which totaled about \$53.8 billion in July 2010. SIGIR reports its results periodically, and a final cumulative report will eventually address all findings identified through this effort. In its first report, SIGIR summarized the results of a series of audits of major reconstruction contracts that were intended, in part, to identify internal control weaknesses. Because such weaknesses provide opportunities for fraud, waste, and abuse, SIGIR has used the results from these audits to develop targeted forensic auditing approaches to identify instances of possible wrongdoing. The most recent report was issued in July 2010.

SIGIR's objectives for this report are to present the results to date of its forensic auditing efforts to include (1) identifying questionable activity and (2) updating the results of its review of agency expenditures. The report also presents information on SIGIR's data-mining methodology.

## Results

SIGIR continues to identify more instances of questionable activity involving programs that afford easy access to cash with weak controls over expenditures. Four new criminal investigations have been opened since the July 2010 report, bringing the total number of investigations resulting from this effort to 53.

This quarter, SIGIR completed its initial review of nearly 180,000 transactions involving the expenditure of funds appropriated for the reconstruction of Iraq by the Department of Defense (DoD), Department of State (DoS), and the U.S. Agency for International Development (USAID) from FY 2003–FY 2009. These transactions are valued at approximately \$40 billion.

SIGIR analyzed this data in a number of ways, looking for anomalies that are then given additional review. SIGIR's anomaly testing focuses on vouchers that have been paid. Additional testing is required to determine whether the vouchers were allowable, allocable, and reasonable. This quarter, the anomalies identified include:

- **Duplicate Payments**—54 potential duplicative payments made by DoS, totaling approximately \$18 million
- **Separation of Duties**—recurring generic names in Commander's Emergency Response Program (CERP) payment data in DoD's Deployable Disbursing System (DDS)

SIGIR's initial review of the DoS data identified 77 transactions, totaling approximately \$53.5 million, that might be duplicate payments. To date, SIGIR has completed its review of 23 transactions, totaling approximately \$35.5 million, and determined

that they were not duplicate payments. Work in this area continues.

SIGIR's initial assessment of 27 of the CERP transactions valued at approximately \$4 million found that the use of generic names such as "cashier" did not indicate that internal controls had been compromised, nor did it indicate that duties were not adequately separated. Nonetheless, SIGIR is continuing to examine the use of generic names associated with the remaining transactions.

SIGIR is also continuing its review of possible fictitious contractors that were identified last quarter. To date, SIGIR has reviewed 58 of 124 potential fictitious contractors that appear to be foreign entities and is currently in the process of confirming the identity of those firms. Work in this area continues.

Since issuing its last report, SIGIR has also provided forensic support to several other efforts. These include providing information from its forensic database in support of two audits and three investigations. SIGIR also queried the forensic database in an effort to determine whether 266 firms that were suspended from contracting activities by Iraq's Ministry of Planning had received U.S. contracts. SIGIR is currently analyzing the results of those queries. Additionally, SIGIR continues to provide support on conducting forensic audits to the Special Inspector General for Afghanistan Reconstruction.

## Recommendations

SIGIR makes no recommendations in this report; this is an informational report only.

## Management Comments

Because this audit report does not contain recommendations, management comments were not required.

## *Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds (SIGIR 11-006, 10/2010)*

### Introduction

Public Law 108-106, as amended, requires SIGIR to prepare a final forensic audit report on all funding appropriated for the reconstruction of Iraq. To address part of this requirement, SIGIR developed forensic audit methodologies to assess electronic disbursements of Iraq reconstruction funds (after contractor vouchers were approved for payment). The methodologies combine automated data-mining procedures with standard audit and investigative techniques to detect questionable transactions and develop evidence for use in administrative actions or civil or criminal fraud prosecutions. Much of SIGIR's methodology was developed from lessons learned from audits of Iraq reconstruction funds and criminal investigations.

SIGIR is issuing this report to provide inspectors general and agency management with information on methodologies to consider in conducting similar forensic audit activities.

### SIGIR's Methodology

SIGIR used a two-phase approach to analyze electronic disbursements of reconstruction funds by the Department of Defense (DoD), Department of State (DoS), and U.S. Agency for International Development (USAID). In phase one, SIGIR collected data from agency financial systems and prepared it for testing. To do this, SIGIR:

- identified the transactions to be tested and the primary agencies responsible for the transactions
- collected data on relevant contractor and U.S. government employees associated with the transactions
- reconciled and validated the transactions to the extent possible

Altogether, SIGIR was able to collect and reconcile 180,000 transactions, totaling about \$39.76 billion. All of these transactions were from the four major reconstruction funds: the Iraq Relief and Reconstruction Fund (\$19.83 billion), the Iraq Security Forces Fund (\$14.1 billion), the Economic Support Fund (\$1.83 billion), and the Commander's Emergency Response Program (\$4.0 billion).

SIGIR derived its data on relevant contractors and government employees associated with the transactions from agency financial systems, such as the Corps of Engineers Financial Management System and DoD's Deployable Disbursing System.

In phase two, SIGIR tested the transactions to identify anomalies that might indicate internal control weaknesses or possible fraud. To do this, SIGIR auditors and investigators collaboratively designed 10 anomaly tests to analyze the transactions. SIGIR's tests included looking for payments to contractors that had been debarred or suspended, contractors with fictitious addresses, contractors with questionable names, and transactions that violated separation of duty principles. All of the tests are discussed in the body of the report.

To further narrow the list of transactions SIGIR also developed a risk-scoring system based on the number and type of anomalies generated by the tests. When vendors and employees had anomalies in more than one test, then their risk scores would rise. This allowed SIGIR auditors and investigators to focus on the vendors, contractors, and U.S. government employees that potentially were the highest risks.

SIGIR developed a database to organize, store, and report the results of the anomaly tests. Thus, SIGIR is able to view the collective results of the anomaly tests by either vendor or by government employee and to focus on those with the highest risk scores. The data is organized into "cases," which combine transactions identified by the anomaly test sets for each vendor or employee by fund and agency financial system.

## Recommendations

This report is being issued as a nonaudit service as defined by generally accepted government auditing standards. Therefore, this report contains no recommendations.

## Ongoing and Planned Audits

SIGIR primarily conducts performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs, often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits of major Iraq reconstruction contracts, which will support SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

### Ongoing Audits

SIGIR is currently working on these audits:

- Project 1022: Audit of the Iraqi International Academy Project
- Project 1021: Audit of the Status of International Narcotics and Law Enforcement Funds Appropriated for Iraq Reconstruction
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq
- Project 1019: Audit of the Status of Oversight of Private Security Contractors in Iraq
- Project 1018: Audit of the Cost, Outcome, and Management of the Falluja Wastewater Treatment Plant Project
- Project 1017: Audit of the U.S. Army Corps of Engineers' Plans and Processes To Transfer Ongoing Reconstruction Projects to the Government of Iraq
- Project 1015: Audit of the Controls Over the Quick Response Fund
- Project 1014: Audit of the Status of Funds Appropriated for the Iraq Relief and Reconstruction Fund

- Project 1013: Audit of Cooperative Agreements Awarded to Cooperative Housing Foundation International
- Project 1012: Audit of the Status of Funds Appropriated for the Commander's Emergency Response Program for Iraq
- Project 1009: Audit of the Contract for Warehousing and Distribution Services at Abu Ghraib and the Port of Umm Qasr
- Project 1008: Audit of the Status of DoD's Theater-wide Internal Security Services (TWISS) Contracts
- Project 1004: Audit of the Sons of Iraq Program
- Projects 9005, 9012, and 9013: Audits of Appropriation, Obligation, and Expenditure Transaction Data Related to Iraq Relief and Reconstruction of the Department of Defense, Department of State, and the U.S. Agency for International Development

### Planned Audits

SIGIR's audit planning is aligned with three key goals contained in its strategic audit plan:

- improving business practices and accountability in managing contracts and grants associated with Iraq reconstruction
- assessing and strengthening the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction
- providing independent, objective leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq

SIGIR's strategic plan recognizes the legislative mandate to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction. As part of that effort, SIGIR has completed 18 focused contract audits dealing with outcomes, costs, and the oversight associated with major reconstruction contracts in Iraq, as well as vulnerabilities to fraud, waste, and abuse. Additional contract audits are ongoing, and others are planned. These audits will increasingly focus on contracts funded by the Iraq Security Forces Fund and the Economic Support Fund. Additionally, SIGIR completed its third audit addressing the management, costs, and outcomes of grants awarded to non-governmental organizations. A similar audit of a cooperative agreement is currently underway.

SIGIR has published its fifth report on its forensic audit efforts and continues to provide leadership and recommendations on policies designed to address deficiencies in reconstruction and stabilization efforts in Iraq. SIGIR will continue to address issues related to the downsizing of the DoD presence in Iraq and the transition of reconstruction activities to DoS. ♦

## SIGIR INVESTIGATIONS

SIGIR Investigations continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 110 open investigations. During this reporting period, SIGIR had 3 investigative personnel assigned to Baghdad; 4 at SIGIR headquarters in Arlington, Virginia; and 13 in offices in Pennsylvania, Florida, Texas, Ohio, New York, and California. Investigative accomplishments this quarter include 2 arrests, 7 indictments, 7 convictions, and 3 sentencings. To date, the work of SIGIR investigators has resulted in 31 arrests, 50 indictments, 41 convictions, and more than \$71.2 million in fines, forfeitures, recoveries, restitution, and other monetary results.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of SIGIR investigations, 3 defendants are pending indictment based upon arrest complaints, 8 defendants are awaiting trial, and an additional 15 defendants are awaiting sentencing. For a comprehensive list of convictions compiled by the Department of Justice, see Table 5.2 at the end of this section.

On October 19, 2010, the Council of the Inspectors General on Integrity and Efficiency recognized SIGIR's success in fighting fraud in Iraq by presenting the SIGIR Investigations Directorate with its Award for Excellence for a second consecutive year.

SIGIR notes these investigative activities this quarter:

- A former DoD contract employee was charged and pled guilty to bribery and a money-laundering scheme related to contracts in support of Operation Iraqi Freedom and agreed to forfeit \$650,000 to the U.S. government.
- A U.S. Marine Corps major pled guilty to illegally depositing more than \$440,000 in U.S. bank accounts.
- A former senior employee with a U.S. military contractor was charged and pled guilty to a bribery scheme related to contracts in support of Operation Iraqi Freedom and agreed to forfeit \$360,000 to the U.S. government.
- A U.S. Army major was charged with bribery related to contracts in Iraq, Afghanistan, and Kuwait.
- A former employee of a U.S.-based construction company pled guilty to an Iraq reconstruction kickback conspiracy involving more than \$800,000.
- A U.S. Marine Corps major pled guilty to receiving illegal gratuities.
- A U.S. Army captain was sentenced to 15 months in prison for receiving kickbacks for awarding contracts in Iraq.
- A former U.S. Marine Corps staff sergeant was charged and pled guilty to accepting bribes in return for awarding contracts in Iraq.
- A U.S. Army major was sentenced to 21 months in prison for attempting to smuggle more than \$120,000 in currency from Iraq to the United States.
- A U.S. Army lieutenant colonel was charged and pled guilty to acts affecting a personal financial interest involving negotiating employment with a contractor in Iraq.
- A former U.S. Army staff sergeant was sentenced for laundering more than \$30,000.

## Former Defense Department Contract Employee Is Charged and Pleads Guilty to Bribery and Money-laundering Scheme

On August 11, 2010, Wajdi Birjas, a former DoD contract employee, pled guilty to conspiracy to bribe U.S. Army contracting officials stationed at Camp Arifjan, a U.S. military base in Kuwait, and to money-laundering conspiracy. According to the court documents filed in U.S. District Court for the Southern District of Indiana, Birjas was a contract employee in the Host Nation Affairs office at Camp Arifjan between approximately 2004 and August 2007. In this position, his responsibilities included identifying Kuwaiti companies able to provide certain goods and services to the U.S. military in Kuwait. Through his work, Birjas had frequent contact with Army contracting officials, including officials who were regularly receiving unlawful payments from individuals who had contracts with, or were seeking contracts from, DoD.

According to court documents, Birjas, acting at the direction of a contractor working in Kuwait, developed corrupt relationships with certain Army contracting officials, including Christopher Murray, James Momon, and a sergeant first class deployed to Camp Arifjan as a senior procurement non-commissioned officer (NCO.) By bribing these Army contracting officials in 2005 and 2006, the contractor ultimately received a total of more than \$1.7 million in connection with contracts to provide various goods and services to the U.S. military. In exchange for his assistance in the bribery scheme, Birjas received a share of the profits that the contracts generated and was allowed to live rent-free in a villa that contained a hidden safe.

Court documents indicate that Birjas paid Murray approximately \$10,000, paid the senior procurement NCO approximately \$14,000, and paid the airplane and hotel expenses of a co-conspirator and Momon to celebrate New Year's Eve in Dubai, United Arab Emirates. According to the court documents, Birjas also allowed Momon to hide

hundreds of thousands of dollars worth of his bribe money in Birjas's safe.

Birjas admitted that he agreed to arrange for \$250,000 of Momon's bribe money to be transferred from Kuwait to the United States after Momon had returned to the United States at the end of his tour. Birjas admitted to working out this agreement with the third Army officer and one of his associates, a former master sergeant in the Army who operated a concession to sell clothing at U.S. military bases in Kuwait. According to court documents, Birjas delivered approximately \$85,000 worth of Momon's bribe money to the former master sergeant for ultimate delivery to Momon.

The charge of bribery conspiracy carries a maximum prison sentence of five years and a \$250,000 fine. The money-laundering conspiracy charge carries a maximum prison sentence of 20 years and a \$250,000 fine. Under the plea agreement, Birjas agreed to forfeit \$650,000 to the government.

The case against Birjas arose out of the investigation, discussed above, into corruption at the Kuwait contracting office at Camp Arifjan, which has led to charges against 14 individuals.

This investigation is being conducted jointly by SIGIR, the Defense Criminal Investigative Service (DCIS), U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU), and Federal Bureau of Investigation (FBI).

## Marine Corps Major Pleads Guilty to Financial Crimes Involving More Than \$440,000

On August 4, 2010, Major Mark R. Fuller, a U.S. Marine Corps fighter pilot, pled guilty to two felony counts of structuring financial transactions. The guilty plea was the result of a 22-count indictment returned by a federal grand jury in Phoenix, Arizona, that charged Fuller with illegally depositing more than \$440,000 into U.S. bank accounts following a six-month deployment in Iraq in 2005 as a contracting officer.



The indictment alleged that Fuller was deployed to Iraq from February 15, 2005, to September 27, 2005, where he served as a project purchasing officer for the Commander's Emergency Response Program (CERP) and was assigned to the 5th Civil Affairs Group, Camp Fallujah. In this capacity, Fuller identified and selected reconstruction projects, awarded reconstruction projects to Iraqi contractors, negotiated contract terms, and verified the completion of projects. CERP funds were distributed to the Iraqi contractors in the form of brand-new \$100 U.S. currency notes. According to the indictment, soon after returning from his deployment in Iraq, Fuller began making cash deposits with brand-new \$100 U.S. currency notes. Between October 2005 and April 2006, Fuller made 91 cash deposits, totaling more than \$440,000, into bank accounts with Bank of America, Chase Bank, and the Navy Federal Credit Union. The indictment alleged that the major made multiple cash deposits under \$10,000 into various bank accounts for the purpose of evading the reporting requirements under federal law. At sentencing on November 1, 2010, Fuller faces a maximum penalty of five years in prison, a \$250,000 fine, or both, on each of the two felony counts.

This investigation is being conducted jointly by SIGIR, Internal Revenue Service-Criminal Investigation (IRS-CI), DCIS, and the Naval Criminal Investigative Service (NCIS).

## Former Senior Employee with U.S. Military Contractor Pleads Guilty to Bribery Scheme

On September 2, 2010, Dorothy Ellis, a former senior employee of a U.S. military contractor, pled guilty to conspiracy to pay \$360,000 in bribes to U.S. Army contracting officials stationed at a U.S. military base in Kuwait. According to court documents filed in U.S. District Court for the Southern District of Texas, Ellis was employed by former U.S. military contractor Terry Hall. As Hall's most

senior employee, Ellis served as the liaison between Hall and U.S. Army contracting officials stationed at Camp Arifjan, a U.S. military base in Kuwait.

From spring 2004 through November 2007, Hall operated and had an interest in several companies, including Freedom Consulting and Catering Co. (FCC) and Total Government Allegiance (TGA). At various times during this period, these companies provided goods and services to the U.S. Department of Defense (DoD) and its components based on a blanket purchase agreement (BPA) to deliver bottled water and a contract to construct security fences in Kuwait and elsewhere. A BPA is a type of contract by which DoD agrees to pay a contractor a specified price for a particular good or service. Based on the BPA, DoD orders the supplies on an as-needed basis. The contractor is then obligated to deliver the supplies ordered at the price agreed upon in the BPA. The term for such an order by DoD is a "call."

According to court documents, Hall obtained the calls made under the bottled-water BPA and fence contract by bribing certain U.S. Army contracting officers, including former Majors James Momon and Christopher Murray. Hall, assisted by Ellis and Hall's business partner, paid Momon approximately \$330,000 and paid Murray approximately \$30,000. In exchange for these bribe payments, from January 2006 through May 2006, Momon arranged for DoD to pay Hall's companies more than \$6.4 million through the bottled-water BPA, and Murray assisted in the award of the security-fence contract.

Ellis admitted that she participated in the bribery scheme by providing Momon and Murray access to secret bank accounts established on their behalf in the Philippines, which enabled Hall and others to transfer bribe payments to them. Ellis also admitted that she obtained confidential Army contract pricing information from Momon that was designed to give Hall an unlawful advantage in the bidding process for an ice contract from DoD. In exchange for her assistance in the bribery scheme, Ellis received a \$100,000 "bonus" from Hall in August 2006.

The charge of bribery conspiracy carries a maximum prison sentence of five years and a \$250,000 fine. Under the plea agreement, Ellis agreed to forfeit \$360,000 to the government. Sentencing has been scheduled for December 1, 2010, before U.S. District Court Judge David Hittner.

The case against Ellis arose out of an investigation into corruption at the Kuwait contracting office at Camp Arifjan, which to date has led to charges against 15 individuals. Of those 15 defendants, 13 have pled guilty, with some already serving prison sentences. On February 18, 2010, Hall pled guilty to bribery conspiracy and money-laundering conspiracy and agreed to forfeit \$15.7 million to the U.S. government in connection with his payment of more than \$3 million in bribes to U.S. Army Major John Cockerham, Momon, Murray, and former U.S. Army Major Eddie Pressley. The case against Hall's co-defendants, Eddie Pressley and his wife Eurica Pressley, is scheduled for trial on January 24, 2011, in Decatur, Alabama.

This investigation was conducted jointly by SIGIR, CID-MPFU, DCIS, and FBI.

## U.S. Army Major Charged with Bribery Related to Contracts in Iraq, Afghanistan, and Kuwait

On September 14, 2010, a criminal information was filed in U.S. District Court, Denver, Colorado, charging a U.S. Army major with one count of bribery. According to the criminal information, from 2002 to 2007 the major had served separate deployments to Afghanistan; Tikrit, Iraq; Kuwait; and Taji, Iraq. As a contracting officer, his duties included: reviewing bids submitted by contractors for Army contracts, recommending the award of Army contracts to specific contractors, and ultimately awarding those contracts to government contractors.

The criminal information further reflected that the major, a public official, directly and indirectly, knowingly and corruptly, accepted money and other things of value from two foreign nationals

who were affiliated with companies that sought and received Army contracts. In return, the major awarded contracts to affiliated companies of the two foreign nationals.

The criminal information also includes a criminal forfeiture count. If convicted of the bribery count, the major shall forfeit to the United States any and all property derived from proceeds traceable to the commission of the offense and a sum of money equal to the total amount of proceeds traceable to the commission of the offense. The property to be forfeited includes two Rolex watches, real estate, a camper trailer, a Harley Davidson motorcycle, and a Dodge Ram truck.

If convicted of the bribery charge, the major faces a maximum of 15 years imprisonment and a \$250,000 fine.

This investigation is being conducted jointly by SIGIR, DCIS, CID-MPFU, U.S. Immigration and Customs Enforcement (ICE), IRS-CI, and FBI.

## Former Employee of U.S.-based Construction Firm Pleads Guilty in Iraq Reconstruction Kickback Conspiracy

On October 1, 2010, Ismael Salinas pled guilty in U.S. District Court, Houston, Texas, to getting hundreds of thousands of dollars in illegal kickbacks from subcontractors in Iraq. The guilty plea is the result of a criminal information filed on May 14, 2010, in the U.S. District Court for the District of New Mexico—charging Salinas, a former employee of a U.S.-based construction company, with conspiracy to defraud the United States by accepting kickbacks from subcontractors whom he helped to get contracts on government building projects in Iraq between April 2005 and March 2008. The criminal information alleged that, between 2004 and 2008, the Air Force Center for Engineering and the Environment awarded a series of construction contracts to be performed in Iraq. Salinas was accused of arranging for subcontracts—awarded by

the construction company and paid by the U.S. government—to be inflated by the kickback amounts that the former employee was to receive. Salinas overbilled the Department of Defense by \$847,904, taking at least \$424,000 in kickbacks from six companies. Salinas admitted to using his position with the construction company to give subcontracts to certain businesses and to rate their performance highly in return for money. Salinas said that he would also have the subcontractors submit inflated invoices, but accepted less money so he could take some of the difference—much of which he smuggled back into the United States.

Sentencing is scheduled for December 17, 2010. Salinas faces up to five years in prison and a \$250,000 fine on top of \$847,000 in restitution.

This case is being conducted jointly by SIGIR, DCIS, and the FBI.

## U.S. Marine Major Pleads Guilty to Receiving Illegal Gratuities

On October 18, 2010, Major Richard Harrington, U.S. Marine Corps, was charged and pled guilty in U.S. District Court, Raleigh, North Carolina, to demanding, seeking, and receiving gratuities. The guilty plea was the result of a criminal information filed on September 3, 2010, in which Harrington was accused of using his position in the U.S. Marine Corps to receive money, watches, and a Persian rug in exchange for providing military contracts to companies.

Harrington was stationed at Camp Fallujah, Iraq, between January and December 2005, serving as a contracting officer's representative. Tasked with inspecting and accepting work from contractors and monitoring their compliance, he wrongfully solicited and accepted gifts from a contractor while working on a \$2.2 million contract with Al Jazaer Group, according to court documents.

Before an official trip to Dubai, United Arab Emirates, in November 2005 to conduct market research involving the procurement of non-tactical

vehicles of the U.S. Marine Corps, Harrington told a corporate representative for Al Jazaer that he wanted two Rolex watches. The company delivered the watches, valued at more than \$5,000 apiece, to Harrington while he was in Dubai. During the trip, Harrington was also unofficially accompanied by a representative from AVA International Corporation who paid for most of his expenses, including transportation and hotel, and the gift of a Persian rug. In spite of this, Harrington submitted expense reports for more than \$10,000 following the trip, and was reimbursed in full by the U.S. government.

Harrington later received additional watches from Al Jazaer and other contractors. Shortly after Al Jazaer received its final payment on the contract, Harrington received the \$35,000 he had requested from the company.

When Harrington returned to Jacksonville, North Carolina, in December 2005, he took the watches with him and shipped the \$35,000 home in a trunk without declaring any of the items on customs forms. He used the money to buy a car, pay off a car loan, and purchase another Rolex watch.

According to court documents, Al Jazaer enlisted Harrington's help after his return home in a dispute over more than 30 shipping containers, valued at \$90,000, which were in the custody of the Marine Corps. Harrington contacted officials in Iraq and assisted the company in getting the containers back.

Sentencing is scheduled for January 24, 2011, at which time Harrington faces up to two years imprisonment, up to one year supervised release, and a fine of up to \$250,000.

This case was conducted jointly by SIGIR, DCIS, and NCIS.

## U.S. Army Captain Sentenced to 15 Months in Prison for Accepting Money for Awarding CERP-funded Contracts in Iraq

On September 17, 2010, Captain Faustino L. Gonzales, U.S. Army, of Killeen, Texas, was sentenced in U.S. District Court, Waco, Texas, by Judge Walter Smith to serve 15 months in federal prison, and was ordered to pay a fine of \$10,000, restitution in the amount of \$25,500, and a special assessment of \$100. Upon release from prison, Gonzales was placed on one-year supervised release by Judge Smith.

The sentencing is based on a June 24, 2010, guilty plea by Gonzales to a one-count indictment of a gratuity received by a public official. Gonzales was a U.S. Army project purchasing officer in Iraq. Gonzales admitted that in September 2006 he conspired with Chasib Mahdi, doing business as General Contracting Company, to receive cash bribes for awarding contracts under the CERP for Iraq reconstruction. Gonzales further admitted that the contracts he awarded to Mahdi, designated for projects near Forward Operating Base, Rustimayyah, Iraq, were based on inflated prices. Gonzales also admitted that portions of the bribe money were deposited into bank accounts located in Killeen and San Antonio, Texas, and that he used some of the bribe money to purchase a vehicle in Killeen.

This case was conducted jointly by SIGIR, CID-MPFU, DCIS, and the United States Postal Inspection Service.

## Former USMC Staff Sergeant Charged and Pleads Guilty to Accepting Bribes Involving Iraq Contracts

On October 5, 2010, Mariam Mendoza Steinbuch, a former U.S. Marine Corps staff sergeant, appeared in U.S. District Court, Washington, D.C., and pled guilty to accepting a \$25,000 bribe in exchange for

awarding numerous contracts to a Lebanon-based company. Steinbuch was deployed by the Marine Corps as a contracting specialist at Camp Fallujah, Iraq, in 2006.

The guilty plea is the result of a criminal information filed on August 19, 2010. According to court documents, Steinbuch returned to the United States in February 2007, where she flew from San Diego to Houston Hobby Airport and picked up \$25,000 cash from an official of a Houston-based affiliate of the company.

The documents further reflect that Steinbuch must turn over two all-terrain vehicles she bought with the bribe money.

This case is being conducted jointly by SIGIR, DCIS, CID-MPFU, and the FBI.

## U.S. Army Major Sentenced for Shipping Currency to the United States from Iraq

On October 8, 2010, U.S. Army Major Charles E. Sublett was sentenced in federal court in Memphis, Tennessee, for making false statements to a federal agency. Sublett was charged in an indictment, returned by a federal grand jury on January 5, 2010, following his arrest in Huntsville, Alabama. According to the indictment, Sublett smuggled more than \$100,000 in currency, concealed in a shipping package, into the United States from Iraq in January 2005.

According to the indictment, Sublett was deployed to Balad Regional Contracting Center on LSA Anaconda in Iraq from August 2004 through February 2005.

Sublett served as a contracting officer, responsible for, among other things, evaluating and supervising contracts with companies that provide goods and services to the U.S. Army. Sublett admitted that, on January 11, 2005, he sent a package from Balad, Iraq, to Killeen, Texas, which was seized by U.S. Customs and Border Protection officers in Memphis. Sublett admitted that, on the

international air waybill, he falsely described the contents of the package as books, papers, a jewelry box, and clothes with a total declared customs value of \$140 when, in fact, Sublett knew the package contained \$107,900 in U.S. currency and 17,120,000 Iraqi dinar. Sublett also admitted that he failed to file a currency or monetary instruments transaction report (CMIR) as required by federal law when transporting currency in amounts of more than \$10,000 into or out of the United States. During the plea hearing, Sublett admitted to making false claims to investigators regarding his attempt to bring the currency into the United States in an effort to impede their investigation. As part of the plea agreement, Sublett also consented to the forfeiture of the \$107,900 in U.S. funds and the 17,120,000 Iraqi dinar that he concealed in the package. This investigation was conducted by SIGIR, CID-MPFU, DCIS, FBI, IRS-CI, and ICE.

## U.S. Army Lieutenant Colonel Pleads Guilty to Charges of Acts Affecting a Personal Financial Interest

On October 6, 2010, U.S. Army Reserves Lieutenant Colonel Bruce Gillette pled guilty to a one-count criminal information filed in U.S. District Court, New York, NY, charging acts affecting a personal financial interest.

According to the court documents, on June 28, 2004, the CPA transferred power to a sovereign Interim Iraqi Government, which was responsible for holding an election for a 275-member Transitional National Assembly, with the help of the United Nations (UN). The election transpired on January 30, 2005. The Independent Electoral Commission of Iraq (IECI) was established in May 2004 and tasked with the responsibility of administering one of the largest electoral logistics operations, as more than one million tons of election materials—including ballots, polling kits, and voting screens—had to be delivered from

various locations around the world to more than 20 warehouses throughout Iraq. To assist the IECI with the elections, the UN established a logistics support operation to aid in coordinating the support, planning, and supervision of the delivery of electoral equipment.

To help Iraq prepare for both this election and future elections, including a planned constitutional referendum and political election, the United States obligated approximately \$130 million to provide non-security assistance to the IECI and other Iraqi entities. In addition, as part of the Multi-National Force–Iraq (MNF-I), the United States provided both security and logistical support to the Iraqi government in connection with the elections. This support included, among other things, transporting elections materials to polling places and counting stations throughout Iraq.

In December 2004, the UN Office of Project Services (UNOPS) invited bids for a freight-forwarding contract and awarded the contract in January 2005 to a freight forwarder in New York. The contractor received in excess of \$40 million for successfully completing the terms of the UNOPS contract.

According to court documents, Gillette was on active duty in Iraq from August 2004 to August 2005 assigned as the Chief of the Election Cell for the MNF-I, Civil Military Operations Directorate. In that position, Gillette served as the MNF-I's liaison to the IECI, DoS, and Iraqi government entities. He also participated in the UN's decision to award the UNOPS contract. Gillette helped develop and implement the plan to move election materials from different parts of the world to Iraq, including among other things, coordination with the contractor. In March 2005, Gillette was awarded the Bronze Star Medal for his service in Iraq “while serving as the chief to (the) Election Cell,” during which he “developed the strategy, and orchestrated the largest elections cargo move in history.”

Gillette engaged in discussions and negotiations concerning prospective employment with the contractor at the same time that negotiations between



UNOPS and the contractor were taking place through the time that the contract was awarded.

At sentencing, which is scheduled for January 11, 2011, Gillette faces a maximum penalty of one-year imprisonment, one-year supervised release, and a fine of \$100,000.

This investigation was conducted by SIGIR, CID-MFPFU, FBI, and DCIS.

## Former U.S. Army Staff Sergeant Sentenced for Laundering More Than \$30,000

On July 23, 2010, Theresa Russell, a former staff sergeant in the U.S. Army, was sentenced in federal court in San Antonio, Texas, to five years probation, and ordered to pay \$31,000 in restitution and a \$100 special assessment. The sentence was the result of a January 27, 2010, guilty plea to a one-count criminal information charging her with money laundering arising from a scheme involving the fraudulent awarding and administration of U.S. government contracts in Iraq. According to court documents, from January 2004 through October 2004, Russell was deployed to Logistical Support Area (LSA) Anaconda, a U.S. military installation near Balad, Iraq. As part of the plea, Russell admitted that, from April 2004 to February 2005, she received more than \$30,000 in cash from John Rivard, a former major in the U.S. Army Reserves. Russell admitted that she knew the money she received from Rivard was the proceeds of bribery.

In July 2007, Rivard pled guilty to bribery, among other offenses, in connection with his service as an Army contracting officer at LSA Anaconda. According to court documents, from April 2004 to August 2005, Rivard conspired with a government contractor to steer federally funded contracts to the contractor's company in exchange for hundreds of thousands of dollars in illicit bribe payments.

According to court documents, Rivard instructed Russell to divide the payments she received from him into several smaller monetary bank

deposits, which she admitted she did, in an effort to avoid the detection of law enforcement authorities. Russell admitted that she subsequently used the criminal proceeds to purchase, among other things, a car, cosmetic surgery, and household furnishings and goods.

This investigation was conducted jointly by SIGIR, CID-MPFU, DCIS, IRS, ICE, and FBI.

## SIGPRO Update

The SIGIR Prosecutorial Initiative (SIGPRO) continues to make a substantive impact. In late 2009, in an effort to further align resources with its expanding caseload, SIGIR developed a program wherein it hired three highly experienced and respected former Department of Justice (DoJ) prosecutors. They were detailed as a unit to the Fraud Section of the Criminal Division of DoJ to prosecute SIGIR investigation cases, handling their own DoJ caseloads and working closely with the SIGIR General Counsel and other DoJ prosecutors who are assigned SIGIR cases. The SIGPRO attorneys are now firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction context. They are currently leading or significantly involved in approximately 30 prosecutorial matters and continue to play integral roles in the development and prosecution of 110 cases being worked by the SIGIR Investigations Directorate.

## Suspension and Debarment

Since December 2005, SIGIR has worked closely with the Department of Justice, CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involving Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts



and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official.

During the period between July 1 and September 30, 2010, the Army suspended one contractor based on allegations of fraud in Iraq and Kuwait. In addition, the Army proposed 28 contractors for debarment and finalized 14 debarments of individuals and companies during that same period.

To date, the Army has suspended 91 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait; and 132 individuals and companies have been proposed for debarment, resulting in 102 finalized debarments that range in duration from nine months to 10 years. PFB is aggressively pursuing additional companies and individuals

associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2010. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). Cases originating in Afghanistan—previously listed with cases originating in Iraq, Kuwait, and other locations in Southwest Asia—were removed from PFB's submissions to SIGIR in the third quarter of 2009 and are now included in the quarterly report produced by SIGAR.

For a list of debarments, see Table 5.3. For a complete list of suspensions and debarments, see Appendix E. ♦

TABLE 5.2  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	Pending
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	Pending
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	Pending
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	Pending
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	Pending
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years of supervised release; and ordered to forfeit \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; ordered to pay a fine of \$10,000; ordered restitution in the amount of \$25,500; and ordered a special assessment of \$100
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	Pending
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; and ordered to pay a fine of \$1,725 and to forfeit \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	Pending
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	Pending
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	Pending
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	Five years probation and ordered to pay \$31,000 in restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	Pending
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	12 months and 1 day in prison; 2 years of supervised release; and \$5 million restitution

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison, 3 years supervised release; forfeiture of \$1 million; and restitution of \$26,276,472
Samir Itani	Conspiracy	7/21/2009	Pending
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 in restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Misprision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 in restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 in restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA Contracting Officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR Contracting Officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA Reconstruction Advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Jacqueline Fankhauser	Receipt of stolen property	8/28/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA Contracting Officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Maj. John Lee Cockerham, Jr., USA Contracting Officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR Contracting Officer	Conspiracy and bribery	6/10/2008	Pending
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA Contracting Officer	Bribery	12/19/2007	24 months confinement; 2 years supervised release; and ordered to pay a \$600 assessment and forfeit \$108,000
Maj. John Rivard, USAR Contracting Officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, Subcontractor Administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution
Jesse D. Lane, Jr. USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD Civilian, Operational Support Planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's Food Service Advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, Contracting Officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR Special Advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, Interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, Director of Operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	Pending
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, Subcontracts Manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, Regional Vice President, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central Comptroller and Funding Officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, Subcontracts Manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

**Note:** Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations.

TABLE 5.3  
DEBARMENT LIST

NAME	DEBARRED
Allied Arms Company, Ltd.	9/28/2010
Allied Arms Company, W.L.L.	9/28/2010
Shahir Nabih Fawzi Audah	9/28/2010
Defense Consulting and Contracting Group, L.L.C.	9/28/2010
Amwaj Al-Neel Company	9/22/2010
Baladi Company	9/22/2010
Desert Moon Company	9/22/2010
Ameer S. Fadheel	9/22/2010
Oday Abdul Kareem	9/22/2010
Maytham Jassim Mohammad	9/22/2010
Michael Dung Nguyen	8/19/2010
Michael Wheeler	7/28/2010
Austin Key	7/14/2010
Ashraf Mohammad Gamal	4/16/2010
Triple A United General Trading and Contracting	4/16/2010
Jeff Thompson	3/29/2010
John Cockerham	3/17/2010
Melissa Cockerham	3/17/2010
Carolyn Blake	3/17/2010
Nyree Pettaway	3/17/2010
Robert Young	3/9/2010
Elbert Westley George III	1/21/2010
Roy Greene	1/21/2010
Ofelia Webb	1/21/2010
Patrick Faust	1/21/2010
Ali N. Jabak	9/30/2009
Liberty A. Jabak	9/30/2009
Liberty's Construction Company	9/30/2009
Tharwat Taresh	9/30/2009
Babwat Dourat Al-Arab	9/30/2009
Dourat Al-Arab	9/30/2009
Hussein Ali Yehia	9/30/2009
Amina Ali Issa	9/30/2009
Adel Ali Yehia	9/30/2009
Javid Yousef Dalvi	9/25/2009
Mohamed Abdel Latif Zahed	9/10/2009
Gerald Thomas Krage	9/4/2009
Andrew John Castro	9/4/2009

Continued next column

NAME	DEBARRED
Airafidane, LLC	9/4/2009
Kevin Arthis Davis	8/20/2009
Jacqueline Fankhauser	8/7/2009
Debra M. Harrison, LTC, USAR	8/7/2009
Nazar Abd Alama	7/1/2009
San Juan Company	7/1/2009
Mississippi Company for the General Contract	7/1/2009
Lee Dynamics International	6/17/2009
Lee Defense Services Corporation	6/17/2009
George H. Lee	6/17/2009
Justin W. Lee	6/17/2009
Oai Lee	6/17/2009
Mark J. Anthony	6/17/2009
Levonda J. Selph	6/17/2009
Starcon Ltd., LLC	6/17/2009
Cedar J. Lanmon, CPT, USA	6/3/2009
D+J Trading Company	5/14/2009
Jesse D. Lane, Jr.	1/30/2009
Jennifer Anjakos	1/30/2009
Carlos Lomeli Chavez	1/30/2009
Derryl Hollier	1/30/2009
Luis A. Lopez	1/30/2009
Mohammed Shabbir Kahn	10/10/2008
Kevin Andre Smoot	9/30/2008
Green Valley Company	9/17/2008, 5/18/2007
Triad United Technologies, LLC	9/17/2008
Dewa Europe	9/17/2008
Dewa Trading Establishment	9/17/2008
Al Ghannom and Nair General Trading Company	9/17/2008
Dewa Projects (Private), Ltd.	9/17/2008
Future AIM United	9/17/2008
First AIM Trading and Contracting	9/17/2008
Vasanth Nair	9/17/2008
K. V. Gopal	9/17/2008
Falah Al-Ajmi	9/17/2008
Trans Orient General Trading	9/17/2008
Zenith Enterprises, Ltd.	9/17/2008
Peleti "Pete" Peleti, CWO, USA	6/15/2008

Continued next column



NAME	DEBARRED
Al Sawari General Trading and Contracting Company	3/13/2008
John Allen Rivard, MAJ, USAR	1/14/2008
Samir Mahmoud	11/29/2007
Robert Grove	10/30/2007
Steven Merkes	9/27/2007
Bruce D. Hopfengardner, LTC, USAR	9/20/2007
Robert J. Stein, Jr.	8/16/2007
Philip H. Bloom	8/8/2007
Global Business Group S.R.L.	8/8/2007
Stephen Lowell Seamans	7/27/2007
Gheevarghese Pappen	6/28/2007
Faheem Mousa Salam	6/28/2007
QAH Mechanical and Electrical Works	6/27/2007
Abdullah Hady Qussay	6/27/2007
Al Riyadh Laboratories and Electricity Co.	1/26/2007

*Continued next column*

NAME	DEBARRED
Thomas Nelson Barnes	1/24/2007
Danube Engineering and General Contracting	12/28/2006
Alwan Faiq	12/28/2006
Christopher Joseph Cahill	11/9/2006
Ahmed Hassan Dayekh	9/26/2006
Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Custer Battles	3/17/2006
Robert Wiesemann, CW2, USA	3/6/2006
Glenn Allen Powell	2/16/2006
Amro Al Khadra	1/12/2006
Dan Trading and Contracting	1/12/2006
Steven Ludwig	9/29/2005
DXB International	9/29/2005

## SIGIR EVALUATIONS

SIGIR's Evaluations Directorate is implementing a multifaceted approach to evaluating the impact of programs that the U.S. government funded to support the stabilization and reconstruction of Iraq. SIGIR plans to evaluate a cross-section of the major U.S. programs initiated for this purpose. In addition to developing findings, conclusions, and recommendations to agency management, the evaluations will identify and report on the outcomes and effects of stabilization and reconstruction programs.

During this quarter, SIGIR completed an evaluation of two major U.S. government-funded infrastructure projects in Iraq: the Nassiriya and Ifraz Water Treatment Plants (WTPs).

### SIGIR Evaluation Completed This Quarter

*Review of Major U.S. Government Infrastructure Projects in Iraq: Nassiriya and Ifraz Water Treatment Plants (EV-10-002)*

#### Why SIGIR Did This Study

The objectives of this evaluation were to determine the current operating status of the Nassiriya and Ifraz WTPs, the perceptions of Iraqi public officials and the local population regarding these projects, and the contribution of these projects to overall U.S. government strategic goals. Costing a combined \$462 million, the Nassiriya and Ifraz WTPs are among the largest infrastructure projects funded by the U.S. government in Iraq.

#### What SIGIR Found

The U.S. government defined its long-term goal for Iraq as a "peaceful, united, stable, democratic, and secure" country.<sup>565</sup> The government authored

three documents that identified the provision of essential services to the Iraqi population as critical to stabilizing the population, improving security, and promoting democracy: the Coalition Provisional Authority's (CPA) *Strategic Plan*, the National Security Council's *National Strategy for Victory in Iraq*, and the U.S. Army and Marine Corps's *Counterinsurgency Field Manual*.

By the early 1990s, Iraq's water sector was generally well developed and modern; however, by 2003, two wars, international sanctions, and mismanagement by the Saddam Hussein government resulted in its devastation. As a result, Iraq suffered from fast-growing problems of malnutrition, morbidity, mortality of infants and children under the age of five, and water-borne illnesses.

In 2004, the CPA's goal was to provide access to potable water to 90% of Iraqis. The CPA funded two projects, in the amounts of \$277 million and \$185 million, to construct the Nassiriya and Ifraz WTPs. The CPA established output metrics for each WTP—to produce 10,000 cubic meters (m<sup>3</sup>)/hour of potable water to service 550,000 Thi-Qar residents and 6,000 m<sup>3</sup>/hour to service 600,000 Erbil residents. However, the lack of a comprehensive household water metering system in Iraq limited the ability to accurately determine the number of people serviced by either WTP.

In May 2010, SIGIR visited both WTPs and found the Nassiriya WTP producing water at 61% capacity with higher than maximum design amount of turbidity, and the Ifraz WTP at near 100% capacity and within the maximum design amount of turbidity (see Table 5.4). The Government of Iraq (GOI) continues to seek financial and technical assistance from the U.S. government for the Nassiriya WTP, while the Kurdistan Regional Government (KRG) has taken actions independent of the U.S. government for the operation and sustainment of the Ifraz WTP.

Because of the absence of baseline data to document conditions prior to the funding of these two projects, SIGIR cannot conclusively determine whether either project had a measurably positive or negative impact. Based upon recent focus groups and flash polling data of local populations serviced by these projects, Thi-Qar residents hold an overwhelmingly negative view of the Nassiriya WTP project, the GOI, and the U.S. government; while a majority of Erbil residents hold a positive view of the Ifraz WTP project, the KRG, and the U.S. government.

For the Nassiriya WTP, 23% of the population is satisfied with water availability, 5% are satisfied with water quality, and 3% believe that the U.S. government provided significant or limited assistance in improving the area's water supply. For the Ifraz WTP, 88% of the population is satisfied with water availability, 85% are satisfied with water quality, and 43% believe the U.S. government provided significant or limited assistance in improving the area's water supply.

Dissatisfaction with the quality of the water from the Nassiriya WTP is so profound that only 14% use it as their main source of drinking water; the remaining 86% either purchase water or use water from rivers or streams. Focus groups and flash polling data indicate that the Nassiriya WTP has not contributed to security or stability in the province.

### What SIGIR Recommends

SIGIR recommends that the Department of State and other U.S. government agencies involved in stabilization and reconstruction operations that include major infrastructure projects do the following:

1. Design useful measures of effectiveness tied to U.S. strategic goals and objectives for each program or project undertaken.
2. Identify baseline data prior to program or project implementation in order to measure effectiveness and assess outcomes and impact.
3. Develop plans to analyze current data against baseline data to determine adjustments to

TABLE 5.4  
COMPARISON OF THE NASSIRIYA AND IFRAZ WATER TREATMENT PLANTS

OPERATING STATUS, AS OF 5/2010	NASSIRIYA	IFRAZ
Total Cost	\$277 million	\$185 million
Number of people intended to be served	550,000	600,000
Turnover date to GOI/KRG	9/2007	7/2006
Actual output as percentage of construction capacity	61%	98%
Turbidity levels of produced water	Higher than maximum design	Lower than maximum design
Permanent, reliable electrical power source	No	Yes
Adequate amount of consumables provided by GOI/KRG	No	Yes
<b>PERCEPTIONS OF THE LOCAL POPULATION</b>		
Percentage who are satisfied with water availability	23%	88%
Percentage who are satisfied with water quality	5%	85%
Families who reported sickness from drinking tap water in the past 12 months	16%	2%
Percentage of population who believe the U.S. government provided at least limited assistance in improving the area's water supply	3%	43%
Percentage of population utilizing WTP water as primary water source	14%	88%
Predominant focus group sentiment of local population toward the U.S. government as a result of project	"Our [negative] view will not change toward the United States."	Ifraz WTP is "proof of their [U.S. government's] attention to people's lives, and we would like to thank them for what they did for us."

program or project plans and budgets prior to completion and transfer to local authorities.

4. Provide for necessary training and sustainment by local authorities in order to realize medium- and long-term strategic objectives.

#### **Management Comments**

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## **Ongoing Evaluation**

This quarter, SIGIR issued its third evaluation announcement: “Review of the Commander’s Emergency Response Program (CERP) in Iraq.” Covering CERP project expenditures from 2004 through 2009 totaling approximately \$3.4 billion, the objectives of this study are to provide a statistical analysis of the geographic distribution of CERP spending in Iraq and to assess the effectiveness of the funds disbursed through the CERP to assist local commanders in improving security and stability in their areas of responsibility. SIGIR expects to report on this evaluation early next year. ♦

## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

### Third Quarter Reporting

As of September 30, 2010, the SIGIR Hotline had initiated 822 cases. Of these cases, 756 have been closed, and 66 cases remain open. For a summary of these cases, see Table 5.5.

TABLE 5.5  
SUMMARY OF SIGIR HOTLINE CASES,  
AS OF 9/30/2010

OPEN CASES				
Investigations				54
Audits				12
<b>Total Open</b>				<b>66</b>
CLOSED CASES	1ST QTR 2010	2ND QTR 2010	3RD QTR 2010	CUMULATIVE*
FOIA	0	0	0	4
OSC Review	0	0	0	2
Assists	0	0	0	46
Dismissed	0	2	2	133
Referred	9	7	15	356
Inspections	0	1	0	80
Investigations	1	0	0	118
Audits	0	1	0	17
<b>Total Closed</b>	<b>10</b>	<b>11</b>	<b>17</b>	<b>756</b>
<b>Cumulative* Open &amp; Closed</b>				<b>822</b>

\*Cumulative totals cover the period since the SIGIR Hotline began operations—from 3/24/2004 to 9/30/2010.

### New Cases

During this reporting period, the SIGIR Hotline received 19 new complaints, bringing the cumulative total to 822 Hotline cases. The new complaints were classified in these categories:

- 11 involved contract fraud.
- 5 involved miscellaneous issues.
- 2 involved personnel issues.
- 1 involved waste.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and electronic mail. Of SIGIR's 19 new Hotline complaints, 13 were received through electronic mail and 6 by the SIGIR website.

### Closed Cases

During this quarter, SIGIR closed 17 Hotline cases:

- 15 were referred to other inspector general agencies.
- 2 were dismissed.

### Referred Complaints

After a thorough review, SIGIR referred 15 complaints to outside agencies for proper resolution:

- 10 were sent to the Department of Defense Office of Inspector General.
- 2 were sent to the Special Inspector General for Afghanistan Reconstruction.
- 1 was sent to the U.S. State Department Office of Inspector General.
- 1 was sent to the U.S. Agency for International Development Office of Inspector General
- 1 was sent to the U.S. Army Office of Inspector General. ♦

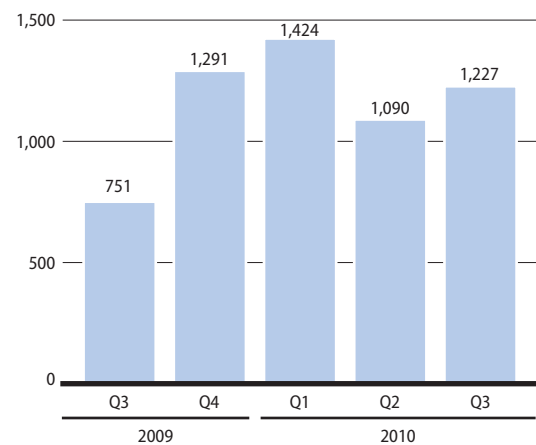
## SIGIR WEBSITE

During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

- More than 112,000 users visited the SIGIR website this quarter—more than 1,200 users per day.
- This quarter, the Arabic language section of the site received more than 2,000 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- More than 26,000 web feeds were visited during this quarter. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed reader programs.

For an overview of daily visits to the SIGIR website, see Figure 5.1. ♦

**FIGURE 5.1**  
**AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, AS OF 9/30/2010**



Source: DoD, IMCEN, response to SIGIR data call, 9/30/2010.



## LEGISLATIVE UPDATE

### Appropriations

This quarter, the Congress continued to take action at the committee level on the President's request for \$2.93 billion in FY 2011 regular appropriations for Iraq reconstruction, but did not take final action on that request.

On September 30, 2010, just before FY 2011 began, the President signed P.L. 111-242, the Continuing Appropriations Act, 2011. That act generally extends spending authority at FY 2010 levels through December 3, 2010, or until the enactment into law of FY 2011 appropriations, whichever comes first.

This quarter, the Congress made \$2.68 billion in new funding available for Iraq reconstruction: \$1.65 billion in new reconstruction assistance and an additional \$1.03 billion in new funding for reconstruction-related operating expenses. The funding was provided in the Supplemental Appropriations Act, 2010, which was signed into law (P.L. 111-212) on July 29.

For information on the President's request and the Congress's action on appropriations legislation, see Section 2 of this Report.

### National Defense Authorization Act for Fiscal Year 2011

On June 4, 2010, the Senate Committee on Armed Services reported its version of the National Defense Authorization Act for Fiscal Year 2011. On September 16, the full Senate began debate on a motion to proceed to the consideration of the bill. On September 21, the Senate took a vote on a motion to invoke cloture on the motion to proceed, but the motion to invoke cloture was not agreed to. A motion to reconsider the cloture vote was "entered" and may be considered when the Senate returns for regular business in November. (The full House passed its version of the bill in May 2010.) SIGIR will report on the bill at a later stage in the bill's consideration.

### Congressional Appearances

Since SIGIR's last Quarterly Report, the Inspector General appeared before a congressional committee on one occasion:

- **September 23, 2010—House Committee on Oversight and Government Reform—Hearing on "Transition in Iraq: Is the State Department Prepared to Take the Lead?"** The Inspector General testified on the problems that the Department of State (DoS) will face as it assumes responsibility for overseeing an ongoing assistance program that, while smaller than the Iraq program of recent years, will still be among the largest for which DoS has ever assumed responsibility. The problems DoS will face will be exacerbated by an insecure environment and a lack of information about reconstruction activities previously administered by other government agencies. SIGIR recommended that (1) DoS should sharpen its focus on improving its program controls and business practices, including on-the-ground program oversight and contract and grant management; (2) DoS should conduct an inventory of what has been accomplished in Iraq's reconstruction thus far and act, as best as it can, to assure that U.S. investments are not wasted by neglect in the asset-transfer phase or by subsequent neglect to sustain by the Iraqi government; and (3) the Congress should continue to focus attention on these questions and closely monitor the plans and actions of DoS and other civilian agencies. If resources for improved business practices are required, they are likely to prove to be a bargain compared with the waste that may occur if DoS's program management and acquisition efforts continue to be under-resourced.

The complete prepared statements of SIGIR officials who have testified before the Congress can be found at [www.sigir.mil/publications/testimony](http://www.sigir.mil/publications/testimony). ♦

# OTHER AGENCY OVERSIGHT

INTRODUCTION	146
OTHER AGENCY AUDITS	147
OTHER AGENCY INVESTIGATIONS	150

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## SECTION

# 6

## INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

The most recent meeting was held on August 10, 2010, at the SIGIR office in Arlington, Virginia, with Special Inspector General Bowen chairing the meeting. These organizations attended:

- Air Force Audit Agency (AFAA)
- Defense Contract Audit Agency (DCAA)
- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- SIGIR
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

Each quarter, SIGIR requests updates from member organizations on their completed,

ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, GAO, USAAA, and USAID OIG. For DCAA updates, see Appendix F.

In previous quarters, SIGIR has provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2011. SIGIR no longer reports on these agencies in this section.

Section 842 of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 101-181) requires that SIGIR, in consultation with other inspectors general, develop “a comprehensive plan for a series of audits” of “federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq.” Following the enactment of Section 842, SIGIR has worked closely with the DoD OIG Joint Planning Group-Southwest Asia, which has facilitated the production of the Comprehensive Oversight Plan for Southwest Asia. That document, compiled by the relevant IGs (including SIGIR), summarizes ongoing and near-term planned audits for Iraq and the region. In August 2010, the Group held its fourteenth meeting. ♦

OTHER AGENCY AUDITS

- This section updates the audits that IIGC member agencies reported to SIGIR:

  - For recently completed oversight report activity, see Table 6.1.
  - For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 6.2.
- For more information on other agency audits, including audit summaries, see Appendix F.
  - For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix G. ♦

TABLE 6.1  
RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 9/30/2010

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D-2010-091	9/30/2010	DoD Needs to Improve Management and Oversight of Operations at the Theater Retrograde–Camp Arifjan, Kuwait
DoD	D-2010-088	9/30/2010	Accountability and Disposition of Government Furnished Property in Conjunction with the Iraq Drawdown–Logistics Civil Augmentation Program
DoD	D-2010-087	9/27/2010	Weaknesses in Oversight of Naval Sea Systems Command Ship Maintenance Contract in Southwest Asia
DoD	D-2010-085	9/22/2010	Kuwait Contractors Working in Sensitive Positions Without Security Clearances or CACs
DoD	SPO-2010-006	9/17/2010	Evaluations of Efforts to Identify, Contact, and Provide Access to Care for Personnel Exposed to Sodium Dichromate at Qarmat Ali, Iraq, in 2003
DoD	D-2010-082	9/10/2010	Implementation of Predator/Sky Warrior Acquisition Decision Memorandum Dated May 19, 2008
DoD	D-2010-081	8/27/2010	Army Use of Time-and-Materials Contracts in Southwest Asia
DoD	SDIG-SWA-10-01	8/27/2010	Observations from Oversight Organizations Impacting Operations Iraqi Freedom and Enduring Freedom Beginning FY 2003 Through FY 2009
DoD	D-2010-077	8/23/2010	Air Force Military Personnel Entitlement Pay in Support of Contingency Operations
DoD	D-2010-075	8/17/2010	Foreign Allowances and Differentials Paid to DoD Civilian Employees Supporting Overseas Contingency Operations
DoD	D-2010-078	8/16/2010	Air Force Use of Time-and-Materials Contracts in Southwest Asia
DoD	D-2010-073	7/19/2010	Controls Over Unliquidated Obligations for Department of the Army Contracts
DoS	MERO-A-10-12	8/31/2010	Evaluation of the Logistics Civil Augmentation Program for Embassy Baghdad
DoS	AUD/CG-10-25	6/30/2010	Embassy Baghdad Internal Controls for Overtime Pay
GAO	GAO-10-304	9/13/2010	Iraqi–U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing
GAO	GAO-10-660	7/1/2010	Warfighter Support: Actions Needed to Improve the Joint Improvised Explosive Device Defeat Organization’s System of Internal Control
USAAA	A-2010-0204-ALL	9/28/2010	Controls Over Logistics Civil Augmentation Program (LOGCAP)–White Property Iraq
USAAA	A-2010-0197-ALL	9/23/2010	Life Support Contracts for U.S. Forces at Basra, Iraq, Joint Contracting Command, Iraq and Regional Contracting Command, Basra, Iraq
USAAA	A-2010-0198-ALL	9/21/2010	Contracting Operations, Joint Contracting Command–Iraq/Afghanistan, Salerno Regional Contracting Center, Afghanistan
USAAA	A-2010-0196-ALL	9/21/2010	Contracting Operations, Joint Contracting Command–Iraq/Afghanistan, Regional Contracting Center–Fenty (Jalalabad), Afghanistan

Continued on next page

## OTHER AGENCY OVERSIGHT

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
USAAA	A-2010-0185-FFS	9/20/2010	Reserve Component Post Mobilization Training
USAAA	A-2010-0176-ALC	9/7/2010	Contracting Activities in Iraq During and After Force Drawdown
USAAA	A-2010-0153-ALL	9/3/2010	Access Control Program, Area Support Group–Kuwait
USAAA	A-2010-0160-ALM	8/31/2010	Non-Standard Equipment Sustainment
USAAA	A-2010-0152-ALL	8/31/2010	Pilot Program for Defense Base Act Insurance, Headquarters, U.S. Army Corps of Engineers
USAAA	A-2010-0171-ALL	8/24/2010	Disposal of Army Equipment and Material into Defense Reutilization and Marketing Office Sites in Iraq
USAAA	A-2010-0169-ALL	8/19/2010	Follow-up Audit of Forward Operating Base Closures, United States Forces–Iraq
USAAA	A-2010-0135-ALL	7/12/2010	Contracting Operations, Joint Contracting Command–Iraq/Afghanistan, Kandahar Regional Contracting Center, Afghanistan
USAAA	A-2010-0126-ALL	7/8/2010	Controls Over Vendor Payments–Southwest Asia (Phase II)
USAID	E-267-10-002-P	7/19/2010	Audit of USAID/Iraq’s Implementation of the Iraq Financial Management Information System

TABLE 6.2

### ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2010

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
DoD	D2010-D000AS-0266.000	8/9/2010	Army Warfighter Field Operations Customer Support Contract
DoD	D2009-DIPOE3-0260.000	8/5/2010	Evaluation of the DoD Combating Trafficking in Persons (CTIP) Program
DoD	D2010-D000JA-0241.000	7/21/2010	Special Operations Forces Plans for the Drawdown and Reset of Property in Iraq
DoD	D2010-D000JB-0219.000	5/7/2010	Drawdown and Reset of Equipment in Iraq–Supply Support Activity and Central Receiving and Shipping Point Operations in Iraq
DoD	D2010-D000JB-0211.000	5/6/2010	Realignment of Contractor Support in Response to the Drawdown of U.S. Forces from Iraq
DoD	D2010-D000CE-0190.000	3/23/2010	Material Purchases Made Through Partnership Agreements at Anniston Army Depot
DoD	D2010-D000JB-0158.000	2/17/2010	Contracting for U.S. Facilities in Iraq
DoD	D2010-D000AE-0139.000	1/29/2010	DoD Countermine and Improvised Explosive Device Defeat Systems Interrogation Arm
DoD	D2010-D000CH-0077.001	11/18/2009	Material Purchases Made Through the Partnership Agreement with Sikorsky Aircraft Corporation at Corpus Christi Army Depot
DoD	D2010-D000CH-0077.000	11/17/2009	Material Purchases Made Through the Partnership Agreement with the Boeing Company at Corpus Christi Army Depot
DoD	D2010-D000JA-0054.000	10/27/2009	Controls Over the Disposition of Equipment at the Defense Reutilization and Marketing Office at Camp Arifjan, Kuwait
DoD	D2010-D000AS-0031.000	10/27/2009	Logistics Civil Augmentation Program IV Support Contract
DoD	D2009-D000FH-0292.000	9/23/2009	Commercial Vendor Services Compliance With Federal Tax Reporting Requirements for Contractors Supporting Operations in Southwest Asia
DoD	D2009-DIPOE3-0306.000	9/11/2009	Review of Army Response to Sodium Dichromate Exposure at Qarmat Ali, Iraq
DoD	D2009-DOOSPO-0287.000	Not reported	Assessment of U.S. Government Efforts to Transition the Security Assistance Mission Supporting the Government of Iraq from Department of Defense Authority to Department of State Authority
DoD	D2009-D000SPO-0286.000	8/11/2009, amended 2/19/2010	Assessment of U.S. Government Efforts to Develop the Logistics Sustainment Capability of the Iraq Security Forces
DoD	D2009-D000AS-0266.000	7/31/2009	Contracts Supporting Base Operation in Kuwait
DoD	D2009-D000AS-0247.000	7/10/2009	Contracts Supporting the Broad Area Maritime Surveillance Program
DoD	D2009-D000CH-0244.000	7/7/2009	International Oil Trading Company Contracts to Supply Fuel to U.S. Troops in Iraq

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AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
DoD	D2009-D00SPO-0242.00	6/11/2009	Assessment of the Defense Hotline Allegations Concerning Traumatic Brain Injury Research Integrity in Iraq
DoD	D2009-D000AE-0210.000	4/28/2009	Marine Corps Fulfillment of Urgent Universal Need Statements for Laser Dazzlers
DoD	D2009-D000FG-0183.000	4/7/2009	FY 2008 Marine Corps Global War on Terror-Related Costs Processed Through the Standard Accounting, Budgeting, and Reporting System
DoD	D2009-D000AS-0163.000	3/2/2009	Army and Navy Small Boats Maintenance Contracts
DoD	D2009-D000JA-0136.000	1/30/2009	Controls Over the Common Access Card in Non-Department of Defense Agencies
DoD	D2009-D000FB-0112.000	1/5/2009	Deployment of the Standard Procurement System in the Joint Contracting Command Iraq/Afghanistan
DoD	D2009-D000CK-0100.000	12/9/2008	Maintenance and Support of the Mine Resistant Ambush Protected Vehicle
DoD	D2009-D000AE-0007.000	9/29/2008	Army Acquisition Actions in Response to the Threat to Light Tactical Wheeled Vehicles
DoD	D2008-D000CD-0256.000	8/7/2008	DoD Body Armor Contracts
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoS	10MERO3016	7/1/2010	Review of Embassy Baghdad Transition Planning–Phase II (DoD Downsizing)
DoS	10-ISP-3023	6/1/2010	Compliance Follow-Up Review of Embassy Baghdad
GAO	351525	8/13/2010	Task Force for Business and Stability Operations (TFBSO)
GAO	351514	6/14/2010	The Augmentation of Army Brigade Combat Teams to Advise and Assist Foreign Security Forces
GAO	351476	4/1/2010	Final Drawdown from Iraq (Phase V)
GAO	320734	11/1/2009	U.S Strategy and Joint Campaign Plan for Iraq
GAO	120874	11/1/2009	Annual Mandated Review of Contracting in Afghanistan and Iraq
GAO	361123	8/1/2009	U.S. Military Burn Pit Operations in Iraq and Afghanistan
GAO	351393	8/1/2009	DoD Health Care Personnel Contingency Operations Requirements Review
GAO	120931	7/1/2009	Close-out of Iraq Contracts
GAO	320654	4/1/2009	U.S., Iraqi, and International Efforts to Address Challenges in Reintegrating Displaced Iraqis
USAAA	A-2010-ALL-0541.000	4Q/FY 2010	Bulk Fuel Operations in Iraq
USAAA	A-2010-ALL-0480.000	3Q/FY 2010	Agreed-Upon Procedures Attestation for USFOR-A LOGCAP Course of Action – Afghanistan
USAAA	A-2010-ALL-0260.000	3Q/FY 2010	Follow-up Audit of Retrograde Operations in Southwest Asia – Multi Class Supplies
USAAA	A-2010-ALM-0394.000	3Q/FY 2010	Follow-up Audit of Automatic Reset Induction
USAAA	A-2010-ALL-0258.000	3Q/FY 2010	Follow-up Audit of Retrograde Operations–Class VII Equipment in Iraq
USAAA	A-2010-ALC-0125.003	3Q/FY 2010	Human Capital Issues–Current Plans (Reachback Capabilities)
USAAA	A-2010-ALL-0421.000	2Q/FY 2010	LOGCAP IV Contract Requirements Determination–Afghanistan
USAAA	A-2010-FFF-0372.000	2Q/FY 2010	Improvised Explosive Device Defeat (IED-D) Home Station Training
USAAA	A-2010-ALL-0364.000	2Q/FY 2010	Excalibur Accountability Gap
USAAA	A-2010-ALL-0338.000	2Q/FY 2010	Redistribution Property Assistance Teams
USAAA	A-2010-ALL-0312.000	2Q/FY 2010	U.S. Equipment Transferred to Iraq
USAAA	A-2010-ALL-0311.001	2Q/FY 2010	Disposal of Army Equipment and Materials Into Dump Sites in Iraq
USAAA	A-2010-ALL-0103.000	2Q/FY 2010	Controls Over Vendor Payments Phase II–Afghanistan
USAAA	A-2010-ALL-0232.000	1Q/FY 2010	Forward Operating Base Closures–Property Transfers to Government of Iraq
USAAA	A-2009-ALL-0593.000	4Q/FY 2009	Controls over Shipping Container Accountability and Visibility - Iraq
USAAA	A-2009-ALL-0590.000	4Q/FY 2009	Camp Buehring Fuel Farm Operations - Kuwait
USAAA	A-2009-ALL-0571.000	4Q/FY 2009	Contract for Recycling and Disposing of Waste Material at Camp Steeler, Iraq

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AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
USAAA	A-2009-ALL-0531.000	4Q/FY 2009	Commander's Emergency Response Program - Afghanistan
USAAA	A-2009-ALL-0118.000	2Q/FY 2009	Controls over Vendor Payments – Southwest Asia (Phase II)
USAAA	A-2009-ALC-0093.000	1Q/FY 2009	Logistics Civil Augmentation Program (LOGCAP) III, Contract Close-out
USAAA	A-2008-ALL-0204.000	2Q/FY 2008	Government Property Provided to Contractors–Kuwait Base Operations
USAID	Not reported	4Q/FY 2010	Survey of USAID/Iraq's Prime Recipients Compliance with Audit Requirements for Its Sub-Recipients
USAID	Not reported	3Q/FY 2010	Audit of Audit of USAID/Iraq's Microfinance Activities Under its Provincial Economic Growth Program
USAID	Not reported	3Q/FY 2010	Audit of USAID/Iraq's Nonexpendable Property
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Payroll Payments to Foreign Service Nationals, Third Country Nationals, and U.S. Personal Services Contractors
USAID	Not reported	2Q/FY 2010	Audit of USAID/Iraq's Community Action Program III Activities
USAID	Not reported	1Q/FY 2010	Audit of USAID/Iraq's Agriculture Private Sector Development - Agribusiness Program
USAID	Not reported	4Q/FY 2009	Survey of Incidents Reported by Private Security Contractors of USAID/Iraq's Contractors and Grantees

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ♦

TABLE 6.3  
STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 9/30/2010

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	6	2	66
Defense Criminal Investigative Service	5	1	241
DoS OIG	1	0	15
FBI	5	1	72
NCIS	0	1	3
U.S. Air Force, Office of Special Investigations	2	0	5
USAID	1	0	11
<b>TOTAL</b>	<b>20</b>	<b>5</b>	<b>413</b>

\* Numbers include pending cases worked with other agencies within the Joint Operations Center.

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60. P.L. 111-212; USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBSSO, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 24–25.
61. P.L. 111-212.
62. U.S. House of Representatives, “Final Vote Results for Roll Call 474,” 7/27/2010, [clerk.house.gov/evs/2010/roll474.xml](http://clerk.house.gov/evs/2010/roll474.xml), accessed 10/8/2010.
63. P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, “Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes,” pp. 25, 55, 64.
64. P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, “Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes,” pp. 25, 55, 64; DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, pp. 5, 9; DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 31; DoS, “FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables,” 3/8/2010, p. 23.
65. SIGIR Audit 11-005, “Iraq Reconstruction Funds: Forensic Audits Identifying Fraud, Waste, and Abuse—Interim Report #5,” 10/28/2010.
66. SIGIR Audit 11-006, “Forensic Audit Methodologies Used To Collect and Analyze Electronic Disbursements of Iraq Reconstruction Funds,” 10/28/2010.
67. P.L. 108-11; P.L. 108-106; P.L. 110-252; The Congress initially appropriated \$18,649 million to the IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred roughly \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.
68. USAID, response to SIGIR data call, 7/8/2010; USTDA, response to SIGIR data call, 4/2/2009; DoS, response to SIGIR data call, 4/5/2007; OSD, response to SIGIR data call, 4/10/2009; U.S. Treasury, response to SIGIR data call, 4/2/2009; NEA-I, responses to SIGIR data calls, 7/6/2010 and 9/23/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 18. Unobligated funds from expired appropriations may only be used for adjustments to ongoing projects or for contract closeout.
69. P.L. 108-11; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
70. P.L. 108-106; P.L. 110-252; P.L. 109-234; P.L. 110-28; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
71. Embassy, ISPO, response to SIGIR data call, 10/4/2010. ISPO’s responsibilities include completing the coordination, oversight, and reporting functions for IRRF monies.
72. P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-49; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212.
73. P.L. 111-212.
74. DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, p. 5.
75. P.L. 108-7; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-49; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-212; OSD, response to SIGIR data call, 10/14/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
76. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2010.
77. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.
78. OSD, responses to SIGIR data calls, 4/12/2010 and 7/13/2010.
79. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.
80. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.
81. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 10/2005–7/2010.
82. OSD, responses to SIGIR data calls, 7/13/2010 and 10/14/2010.
83. DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, p. 5.
84. P.L. 111-212.
85. DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, p. 5; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 24–25.
86. DoD, “Fiscal Year 2011 Budget Request: Overview,” 2/2010, Chapter 6, p. 2.
87. P.L. 111-212; Senate Report 111-188, to accompany H.R. 4899, “Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes,” pp. 64–65; DoS, “FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables,” 3/8/2010, p. 23.
88. SIGIR, *Quarterly Report to the United States Congress*, 10/2009, pp. 26–27.
89. P.L. 111-212; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2010.
90. SIGIR, Statement of Stuart W. Bowen Jr., before the House Committee on Oversight and Government Reform, “Transition in Iraq: Is the State Department Prepared To Take the Lead?” 9/23/2010, [oversight.house.gov/images/stories/TESTIMONY-Bowen.pdf](http://oversight.house.gov/images/stories/TESTIMONY-Bowen.pdf), accessed 9/27/2010.
91. SIGIR, Statement of Stuart W. Bowen Jr., before the House Committee on Oversight and Government Reform, “Transition in Iraq: Is the State Department Prepared To Take the Lead?” 9/23/2010, [oversight.house.gov/images/stories/TESTIMONY-Bowen.pdf](http://oversight.house.gov/images/stories/TESTIMONY-Bowen.pdf), accessed 9/27/2010.
92. DoS, “Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011,” pp. 21–26.
93. DoS, “Congressional Budget Justification: Foreign Assistance Summary Tables, FY 2011,” pp. 21–26.
94. GAO Report GAO-10-304, “Iraqi-U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing,” 9/13/2010, p. 20.
95. GAO Report GAO-10-304, “Iraqi-U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing,” 9/13/2010, p. 21.
96. GOI, “Federal Public Budget Law for the Fiscal Year 2010,” 1/27/2010, Annex Schedule B. For the purpose of calculating Iraq’s contribution to reconstruction, SIGIR uses only those funds budgeted or expended for capital investment.
97. GAO Report GAO-10-304, “Iraqi-U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing,” 9/13/2010, pp. 26–27. The range reflects uncertainty regarding what portion of the advances for Foreign Military Sales (FMS) purchases and letters of credit has been recorded as an expenditure by the MOF and is therefore already reflected in total expenditures.



98. GAO Report GAO-10-304, "Iraqi-U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing," 9/13/2010, p. 30.
99. GAO Report GAO-10-304, "Iraqi-U.S. Cost-Sharing: Iraq Has a Cumulative Budget Surplus, Offering the Potential for Further Cost-Sharing," 9/13/2010, pp. 58, 63–64.
100. P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117.
101. DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23.
102. P.L. 108-7; P.L. 109-102; P.L. 110-28; P.L. 110-161; P.L. 111-32; P.L. 111-117; NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20. SIGIR calculates expired funds as appropriations less obligations, as of the expiration date. Some ESF was transferred to other agencies under the Foreign Assistance Act of 1961, Sec. 632(b). NEA-I did not indicate whether its reported obligations include such transfers, so SIGIR's calculations may overstate expired funds. In addition, NEA-I was not able to provide the complete status of funds for the \$50 million in FY 2003 appropriations to the ESF; only approximately \$9 million were reported obligated and expended as of September 30, 2010. It is likely that more of these funds were obligated and expended than reported, which would affect the overall status of funds and the amount of expired funds.
103. U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, and 7/8/2010; USACE, response to SIGIR data call, 7/12/2010; USAID, response to SIGIR data call, 7/13/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2010.
104. NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; USACE, responses to SIGIR data calls, 7/12/2010 and 10/6/2010; USAID, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.
105. NEA-I, responses to SIGIR data calls, 4/2/2010, 4/12/2010, 4/14/2010, 6/30/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; USACE, responses to SIGIR data calls, 7/12/2010 and 10/6/2010; USAID, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010.
106. SIGIR Audit 10-018, "Most Iraq Economic Support Funds Have Been Obligated and Liquidated," 7/21/2010, pp. 12–13; U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010. The Office of Provincial Affairs (OPA) at U.S. Embassy-Baghdad also administers ESF-funded projects, in the form of Provincial Reconstruction Team Quick Response Fund (PRT/QRF) grants. For a detailed discussion of PRT/QRF grant administration, refer to SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 30–34.
107. U.S. Code, Title 22, Sec. 2346.
108. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
109. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010. For a detailed discussion of USAID's Iraq Rapid Assistance Program (IRAP), including grant administration, see: SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 30–34. The discussion in this Report focuses on USAID's management of larger projects.
110. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
111. USAID, "Contracts and Grants," [www.usaid.gov/iraq/contracts/](http://www.usaid.gov/iraq/contracts/), accessed 10/4/2010.
112. USAID, response to SIGIR data call, 10/13/2010.
113. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
114. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
115. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
116. SIGIR Audit 10-018, "Most Iraq Economic Support Funds Have Been Obligated and Liquidated," 7/21/2010, pp. 3–4, 13.
117. USACE, response to SIGIR data call, 10/6/2010.
118. U.S. Embassy-Baghdad, ISPO, response to SIGIR data call, 10/4/2010.
119. SIGIR Audit 10-022, "Improved Oversight Needed for State Department Grants to the International Republican Institute," 7/29/2010, p. 1.
120. SIGIR Audit 10-012, "Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants," 1/26/2010, p. 1.
121. U.S. Embassy-Baghdad, response to SIGIR data call, 7/2/2010.
122. SIGIR Audit 10-012, "Department of State Grant Management: Limited Oversight of Costs and Impact of International Republican Institute and National Democratic Institute Democracy Grants," 1/26/2010.
123. SIGIR Audit 10-022, "Improved Oversight Needed for State Department Grant to the International Republican Institute," 7/29/2010.
124. SIGIR Audit 11-001, "National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited," 10/13/2010.
125. SIGIR Audit 11-001, "National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited," 10/13/2010.
126. P.L. 108-287; P.L. 109-13; P.L. 109-148; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-118; OSD, response to SIGIR data call, 10/15/2010.
127. DoD, "Fiscal Year 2011 Budget Request: Overview," 2/2010, Chapter 6, p. 9.
128. OSD, response to SIGIR data call, 10/15/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
129. OSD, response to SIGIR data call, 10/15/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20.
130. IRMS, *USF-I CERP Category Report*, 9/20/2010.
131. OUSD(C), response to SIGIR data call, 10/4/2010.
132. OUSD(C), response to SIGIR data call, 1/14/2010.
133. IRMS, *Global Benchmark*, 9/3/2010.
134. The report was required by P.L. 111-118, "Defense of Defense Appropriations Act, FY 2010," Sec. 9005 and P.L. 111-84, "National Defense Authorization Act, FY 2010," Sec. 1222.
135. SIGIR Audit 10-013, "Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred," 4/26/2010.
136. SIGIR Audit 10-013, "Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred," 4/26/2010.
137. P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212.
138. DoS, "FY 2011 Foreign Assistance Congressional Budget Justification: Summary Tables," 3/8/2010, p. 23.
139. P.L. 109-234; P.L. 110-5; P.L. 110-28; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-212; INL, response to SIGIR data call, 9/30/2010; OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, 8/2009, Sec. 10, p. 3, and Sec. 20, pp. 15, 20. SIGIR will now be reporting INCLE as a "major" fund. Both the amount appropriated to that fund for activities in Iraq and the status of those funds may be refined in coming quarters as SIGIR continues to collect additional information.



140. NEA-I, responses to SIGIR data calls, 4/12/2010, 4/14/2010, 7/8/2010, 9/23/2010, 10/4/2010, and 10/7/2010; USACE, response to SIGIR data call, 10/6/2010; USAID, response to SIGIR data call, 7/13/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 7/14/2010; SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, 3/2004–7/2010.
141. INL, responses to SIGIR data calls, 7/2/2010 and 9/30/2010.
142. INL, responses to SIGIR data calls, 7/2/2010 and 9/30/2010.
143. SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 24–25.
144. DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 1.
145. DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 1; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 24–25.
146. DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 1; P.L. 111–212.
147. DoS, “FY 2010 Supplemental Budget Justification,” 2/1/2010, p. 1; SIGIR, *Quarterly and Semiannual Report to the United States Congress*, 7/2010, pp. 24–25.
148. DoS, “Congressional Budget Justification: Foreign Operations, FY 2006,” 2/15/2005, p. 449; DoS, “Supplemental Budget Justification, FY 2006,” 2/16/2006.
149. DoS, “Congressional Budget Justification: Foreign Operations, FY 2007,” 2/13/2006; DoS, “Congressional Budget Justification: Foreign Operations, FY 2007,” 2/13/2006, p. 460; DoS, “FY 2007 Global War on Terror (GWOT) Supplemental,” 2/14/2007, pp. 132–133; DoS, “Congressional Budget Justification: Foreign Operations, FY 2008,” 2/13/2007, p. 75; DoS, “FY 2008 Global War on Terror (GWOT) Emergency,” 2/13/2007, p. 139; DoS, “Congressional Budget Justification: Foreign Operations, FY 2009,” 2/2008, pp. 54, 542; DoS and USAID, “FY 2009 Supplemental Justification,” 5/13/2009, pp. 40–42.
150. DoS and USAID, “FY 2009 Supplemental Justification,” 5/13/2009, pp. 40–42; DoS, “Congressional Budget Justification: Foreign Operations, FY 2010,” 5/28/2009, p. 47; DoS and USAID, “Supplemental Budget Justification, FY 2010,” 3/2010, pp. 31–32; DoS, “Congressional Budget Justification: Foreign Operations, FY 2011,” 3/10/2010, pp. 471–476.
151. House Report 110–197 to accompany H.R. 2764, “State, Foreign Operations, and Related Programs Appropriations Bill, 2008,” 6/18/2007, pp. 99, 105.
152. Conference Report 110–107 to accompany H.R. 1591, “Making Emergency Supplemental Appropriations for the Fiscal Year Ending September 30, 2007, and for Other Purposes,” 4/24/2007, p. 206; House Report 109–265 to accompany H.R. 3057, “Making Appropriations for Foreign Operations, Export Financing, and Related Programs for the Fiscal Year Ending September 30, 2006, and for Other Purposes,” 11/2/2005, pp. 97–98; House Report 110–197, to accompany H.R. 2764, “State, Foreign Operations, and Related Programs Appropriations Bill, 2008,” 6/18/2007, p. 105; Senate Explanatory Statement to accompany H.R. 2642, “Making Appropriations for Military Construction, the Department of Veterans Affairs, and Related Agencies for the Fiscal Year Ending September 30, 2008, and for Other Purposes,” 6/26/2008; Senate Report 110–425 to accompany S. 3288, “Department of State, Foreign Operations, and Related Programs Appropriations Bill, 2009,” 7/18/2008, pp. 53–54; House Report 111–151, to accompany H.R. 2346, “Making Supplemental Appropriations for the Fiscal Year Ending September 30, 2009, and for Other Purposes,” 6/12/2009, p. 131; Conference Report 111–366 to accompany H.R. 3288, “Departments of Transportation and Housing and Urban Development, and Related Agencies Appropriations Act, 2010,” 12/8/2009, pp. 1483–1484; Senate Report 111–188 to accompany H.R. 4899, “Making Emergency Supplemental Appropriations for Disaster and Relief and Summer Jobs for the Fiscal Year Ending September 30, 2010, and for Other Purposes,” pp. 64–65.
153. USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBOS, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010.
154. USACE, response to SIGIR data call, 10/6/2008; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; NEA-I, responses to SIGIR data call, 9/27/2010, 10/4/2010, and 10/6/2010; DoS, DRL, response to SIGIR data call, 9/22/2010; TFBOS, response to SIGIR data call, 10/4/2010; DoJ, Justice Management Division, response to SIGIR data call, 10/5/2010; DoS, ECA, response to SIGIR data call, 4/14/2010; OMB, response to SIGIR data call, 6/21/2010; OUSD(C), response to SIGIR data call, 10/14/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009; DoJ, U.S. Marshals Service, response to SIGIR data call, 10/5/2010; DoS, PM, response to SIGIR data call, 9/21/2010; BBG, response to SIGIR data call, 10/5/2010.
155. GOI, CoR, “Federal Public Budget Law for the Fiscal Year 2010,” 1/27/2010; GOI, MOF, “Evaluation of the Iraqi Budget, 2006–2010,” 8/2010; GOI, Presidency of the Iraqi Interim National Assembly, “The State General Budget for 2005,” 2005; GOI, “Budget Revenues and Expenses 2003, July–December,” 2003.
156. SIGIR, *Quarterly Report to the United States Congress*, 4/2010, p. 24.
157. Expenditure data from 2003–2005 was not available; SIGIR will continue to rely on official budgets for that earlier period until audited data is available.
158. GOI, MOF, “Evaluation of the Iraqi Budget, 2006–2010,” 8/2010. Unexpended capital budgets were either rolled over to later years (in effect resulting in double counting of those contributions to reconstruction) or canceled, depending on the budget category and year.
159. SIGIR Audit 11–002, “Guidance Needed for Use of Residual Iraqi Vested and Seized Asset Funds,” 10/15/2010.
160. U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 10/13/2010.
161. GOI, MOF, “Evaluation of the Iraqi Budget, 2006–2010,” 8/2010.
162. U.S. Embassy-Baghdad, Treasury Attaché, responses to SIGIR data calls, 6/8/2010, 7/13/2010, and 10/13/2010. The average oil price for 2010 was derived by dividing total revenues by the number of barrels exported. Not all oil export revenue accrues to the GOI; 5% is paid in war reparations to Kuwait.
163. U.S. Embassy-Baghdad, Treasury Attaché, response to SIGIR data call, 7/15/2010.
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## ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
AAB	Advise and Assist Brigade
ACCO	Anti-Corruption Coordination Office (U.S. Embassy-Baghdad)
ACDI/VOCA	Agricultural Cooperative Development International/Volunteers in Overseas Cooperative Assistance
AFAA	Air Force Audit Agency
AMERCO	American Equipment Company
AQI	al-Qaeda in Iraq
AQM	Bureau of Administration's Office of Acquisitions Management (DoS)
Army	Department of the Army
ATF	Bureau of Alcohol, Tobacco, Firearms, and Explosives (DoJ)
BBA	Bilingual Bicultural Advisor
BBG	Broadcasting Board of Governors
BPA	blanket purchase agreement
BPD	barrels per day
BSA	Board of Supreme Audit
CAG	community action group
CAP	Community Action Program
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHF	Cooperative Housing Foundation International
CID-MPFU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMIR	currency or monetary instruments transaction report
COI	Commission of Integrity (previously known as Commission on Public Integrity)
COIN	counterinsurgency

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ACRONYM	DEFINITION
CoM	Council of Ministers
COM	Chief of Mission
CoR	Council of Representatives (GOI)
COSIT	Central Organization for Statistics and Information Technology (GOI)
CPA	Coalition Provisional Authority
CPJ	Committee to Protect Journalists
CRS	Congressional Research Service (Library of Congress)
CSH	Child Survival and Health Programs Fund
DCAA	Defense Contract Audit Agency
DCG-O	Deputy Commanding General for Operations
DCIS	Defense Criminal Investigative Service
DDS	Deployable Disbursing System (DoD)
DMRCN	Digital Microwave Radio Communications Network
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoE	Department of Energy
DoJ	Department of Justice
DoL	Department of Labor
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DoT	Department of Transportation
DRL	Bureau of Democracy, Human Rights, and Labor (DoS)
EBO	Embassy Branch Office
ECA	Bureau of Educational and Cultural Affairs (DoS)
ECP	entry control point
EIA	Energy Information Administration (DoE)
EIU	<i>Economist</i> Intelligence Unit
EPC	engineering, procurement, and construction
ePRT	embedded Provincial Reconstruction Team
ERMA	Emergency Refugee & Migration Assistance
ESF	Economic Support Fund
FBI	Federal Bureau of Investigation
FCC	Freedom Consulting and Catering Co.
FMF	Foreign Military Financing
FMS	Foreign Military Sales
FPS	Facilities Protection Service (GOI)
FY	fiscal year

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# ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
GAD	Government Assistance Database
GAO	U.S. Government Accountability Office
GDP	gross domestic product
GE	General Electric
GOI	Government of Iraq
GOR	grant officer representative
GRD	Gulf Region Division (USACE)
HJC	Higher Judicial Council
H.R.	House Resolution
IA	Iraqi Army
IACA	International Anti-Corruption Academy
IAU	UN Inter-Agency Information and Analysis Unit
IBI	Iraq Business Initiative
ICAA	Iraq Civil Aviation Authority
ICAO	International Civil Aviation Organization
ICE	U.S. Immigration and Customs Enforcement
ICI	<i>International Compact with Iraq</i> (GOI and UN)
ICOEE	Iraq Crude Oil Export Expansion Project
ICS	Iraqi Corrections Service
IDA	International Development Association (World Bank)
IDA	International Disaster Assistance (USAID humanitarian trust fund)
IDFA	International Disaster and Famine Assistance
IDMS	Iraq Development Management System
IDP	internally displaced person
IECI	Independent Election Commission of Iraq (later IHEC)
IED	improvised explosive device
IFF	Iraq Freedom Fund
IFMIS	Iraq Financial Management Information System
IG	inspector general
IIGC	Iraq Inspectors General Council
IHEC	Independent High Electoral Commission
IMET	International Military Education and Training
IMF	International Monetary Fund
INA	Iraqi National Alliance
INCLE	International Narcotics Control and Law Enforcement Fund (INL)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)

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ACRONYM	DEFINITION
<i>Inma</i>	Agribusiness Program (USAID)
IP	Iraqi Police
IRFFI	International Reconstruction Fund Facility for Iraq
IRI	International Republican Institute
IRMS	Iraq Reconstruction Management System
IRR	Iraqi Republic Railway Company
IRRF	Iraq Relief and Reconstruction Fund
IRS-CI	Internal Revenue Service-Criminal Investigation
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISOF	Iraqi Special Operations Force
ISP	Infrastructure Security Program
ISPO	Iraq Strategic Partnership Office (replaces ITAO)
ITAM	Iraq Training and Advisory Mission
ITAO	Iraq Transition Assistance Office
ITAO/ESD	Iraq Transition Assistance Office/Electric Services Division
ITF	Iraq Trust Fund
IZ	International Zone
JCC	Joint Coordinating Committee
JDI	Judicial Development Institute
km	kilometer
KRG	Kurdistan Regional Government
kV	kilovolt
LAOTF	Law and Order Task Force
LGP	Local Governance Program (USAID)
LOGCAP	Logistics Civil Augmentation Program
LPG	liquefied petroleum gas
LSA	Logistical Support Area
m <sup>3</sup>	cubic meter
MBPD	million barrels per day
MCF	million cubic feet
MEC	Minimum Essential Capability
MEE5	<i>Middle East Economic Survey</i>
MEPI	Middle East Partnership Initiative (DoS)
MFI	microfinance institution
MMQA	Maturity Model Quarterly Assessment
MNC-I	Multi-National Corps-Iraq
MNF-I	Multi-National Force-Iraq

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ACRONYM	DEFINITION
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOF	Ministry of Finance
MOH	Ministry of Health
MoHR	Ministry of Human Rights
MOI	Ministry of Interior
MOJ	Ministry of Justice
MoPDC	Ministry of Planning and Development Cooperation
MOT	Ministry of Transportation
MRA	Migration and Refugee Assistance
MRAP	Mine Resistant Ambush Protected vehicle
MTOE	Modified Table of Organization and Equipment
MW	megawatt
MWh	megawatt-hour
NACS	<i>Iraq's National Anti-Corruption Strategy for 2010–2014</i>
NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs
NCD	National Capacity Development Program (USAID) (also referred to as <i>Tatweer</i> )
NCIS	Naval Criminal Investigative Service
NCO	non-commissioned officer
NDAA	National Defense Authorization Act
NDI	National Democratic Institute
NDP	<i>Iraq's National Development Plan (2010–2014)</i>
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NGO	non-governmental organization
NRRRF	Natural Resources Risk Remediation Fund
O&M	operations and maintenance
OCHA	Office for the Coordination of Humanitarian Affairs (UN)
OFDA	Office of Foreign Disaster Assistance (USAID)
OHDAAC	Overseas Humanitarian, Disaster and Civic Aid
OIF	Operation Iraqi Freedom
OMB	Office of Management and Budget
ORoLC	Office of the Rule of Law Coordinator (U.S. Embassy-Baghdad)
OPA	Office of Provincial Affairs (U.S. Embassy-Baghdad)

Continued next column

ACRONYM	DEFINITION
OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoS)
OSD	Office of the Secretary of Defense
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
P.L.	Public Law
PCO	Project and Contracting Office
PDP	Police Development Program
PDS	Public Distribution System
PEZ	Pipeline Exclusion Zone
PFB	Army Legal Services Agency's Procurement Fraud Branch
PM	Prime Minister
PM	Bureau of Political-Military Affairs (DoS)
PRDC	Provincial Reconstruction Development Council
PRM	Bureau of Population, Refugees and Migration (DoS)
PRT	Provincial Reconstruction Team
PSC	private security contractor
PSD	protective security detail
QRF	Quick Response Fund
RAC	Return Assistance Center (GOI)
RAISE PLUS	Rural and Agricultural Incomes with a Sustainable Environment (USAID)
RRT	Regional Reconstruction Team
RSO	Regional Security Office
RTI	Research Triangle Institute
SA	Security Agreement
Sadrist	Independent Liberals Trend
SBA	Stand-By Arrangement (IMF)
SBDC	Small Business Development Center
SFA	Strategic Framework Agreement
S/GWI	Office of Global Women's Issues (DoS)
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SIGPRO	SIGIR Prosecutorial Initiative
SIV	special immigrant visa
SME	Small- and Medium-Enterprise
SOE	State-owned Enterprise
SOI	Sons of Iraq
SoL	State of Law Coalition

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# ACRONYMS AND DEFINITIONS

ACRONYM	DEFINITION
SOMO	State Oil Marketing Organization
SPOT	Synchronized Predeployment and Operational Tracker
STT	Stability Transition Team
<i>Tatweer</i>	National Capacity Development Program (USAID)
TFBSO	Task Force for Business and Stability Operations (DoD)
TGA	Total Government Allegiance
<i>Tijara</i>	Provincial Economic Growth Program (USAID)
TNA	Transitional National Assembly
Treasury	U.S. Department of Treasury
TWISS	Theater-wide Internal Security Services (DoD)
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNDAF	<i>UN Development Assistance Framework for Iraq 2011–2014</i>

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ACRONYM	DEFINITION
UNDP	UN Development Programme
UNHCR	UN High Commissioner for Refugees
UNOPS	UN Office of Project Services
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
USF-I	U.S. Forces-Iraq
USMC	U.S. Marine Corps
USRAP	U.S. Refugee Admissions Program
USSOF	U.S. Special Operations Forces
USTDA	U.S. Trade and Development Association
WG	working group
WTO	World Trade Organization
WTP	water treatment plant